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INVALIDITY, OLD-AGE AND WIDOWS' AND ORPHANS' INSURANCE

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GENERAL INTRODUCTION

The question of invalidity, old-age and widows' and orphans' insurance was placed by the Governing Body on the agenda of the Sixteenth Session of the Conference in order to complete the cycle of general Conventions on social insurance. The decisions taken with regard to the victims of industrial accidents or occupational diseases, particularly at the 1925 Session, were followed in 1927 by two Draft Conventions on sickness insurance for workers in industry, commerce and agriculture. The international regulation of invalidity, old-age and widows' and orphans' insurance has still to be dealt with, and the Governing Body considered that the time had now come to undertake this task.

The Organisation is in duty bound to deal with this subject. The Preamble to Part XIII of the Treaty of Peace, so often quoted, states that the International Labour Organisation is set up to improve the position of the workers and, in particular, to protect them "against sickness, disease and injury arising out of their employment", and, later, to provide "for old age and injury". The significance of these enumerations, which, like all those in the Preamble, are intended merely to suggest examples, is increased when we remember that when they were drafted there was no generally accepted conception of social insurance as a whole forming a corollary to the wages system. The position to-day is quite different.

Such a conception forced itself upon the International Labour Organisation as early as the Seventh Session of the Conference, in 1925. In an important resolution that Conference assigned to social insurance its position in the economic and social system. The resolution states: "A system of labour regulation, if true to the principle of social justice, must secure the effective protection of the workers against risks endangering their livelihood or that of their families. . . . This protection can best be attained by means of the establishment of a system of social insurance granting clearly defined rights to the beneficiaries." The same Conference took the first step towards translating this aspiration into practice by requesting the Governing Body to place on the agenda of early Sessions of the Conference first of all the question

of sickness insurance and then the question of invalidity, old-age and widows' and orphans' insurance. The request was repeated at the Tenth Session in 1927, and the Governing Body acceded to it as soon as the general progress of the work of the Organisation permitted.

The question of invalidity, old-age and widows' and orphans' insurance is now before the Conference. It is a new task for the Conference, but the problems involved are well known to most of the States Members. This is an added reason for studying the question from an international point of view and trying to find solutions which will be generally acceptable. The present report is intended to guide the Conference in its search for such a solution.

There is no need to retrace the development of ideas on social insurance and the way in which they have guided men and institutions, or recall the hostilities to which they have given rise when confronted with older traditions; nor is it necessary to list the achievements effected in most countries. Such a description, although it would provide valuable lessons for the present time, must be reserved for a more detailed technical study. It will suffice here to estimate the extent of the progress made and to find a possible starting point for a uniform international development.

The risks of old age, invalidity and premature death have ever been extremely serious for all wage earners. The problem of covering these risks is as old as the economic and social system in which we live. Even a century of industrial development has not been able to solve them, and every State which has reached a high degree of industrial development has found it necessary to organise a system of protection for its workers. The insecurity of the wage earner's situation is prejudicial to the well-being of the community. It proved inadequate and unscientific to leave the worker to make provision for these risks individually by saving out of his small and uncertain wage, and to condemn him, after a lifetime of labour, to degrading dependence on public charity. Then the idea of insurance was adapted to meet the need of the workers for security.

The idea is in essence simple. It is easier for a group than an individual to bear the risk to which a person is exposed. The risk does not mature at the same time for every insured person, and insurance is based on the fact that while the risk is general, the incidence is sporadic.

This conception, with an infinite number of variations and

adaptations, lies at the basis of every insurance scheme, whatever its origin or form: mutual benefit societies, employers' or works funds, trade union funds, public pensions funds, or companies undertaking life or industrial assurance or group insurance.

It is in the general interests of society that the wage earner should be placed in a position of security. Since he could not in every case make provision himself by thrift, and since his inability to do so may have serious consequences for the community, the latter must make provision for all its members who are permanently exposed to risks. The State began by supervising the workers' mutual-aid movement, and then proceeded to encourage it with material support; finally, when voluntary subsidised provident organisations did not prove completely satisfactory, the State arrived at a new conception of its duty and made such institutions compulsory for all workers.

Compulsion, or at least a minimum of compulsion, would seem indispensable for covering risks whose consequences are so serious and whose effects are so far-reaching as those of premature invalidity, old age or the loss of the family breadwinner. In this field more than in any other insurance must be independent of the will of the individual and must be made compulsory by law, so that thrift has to be exercised by everyone.

The compulsory principle was at the basis of the first special schemes set up in various countries for miners and the staffs of important transport undertakings, but the decisive step was not taken until that principle was extended to workers in every occupation.

The first compulsory old-age insurance scheme of general scope was instituted in Germany in 1889. For a long time it remained the only scheme of the kind, until in 1906 the former Austrian Empire set up a pensions insurance scheme for non-manual workers. The French Act of 1910 on workers' and peasants' pensions was never completely applied. In 1911, Germany supplemented its earlier system by introducing survivors' insurance and salaried employees' pensions. The same period saw the introduction of the British sickness and invalidity scheme, the old-age and invalidity schemes in Luxemburg and Rumania, and the Swedish national insurance scheme. After the War progress became more rapid. In the Netherlands the Act of 1913 was put into force, and compulsory insurance was adopted in Italy and Spain. In 1924 these examples were followed by Belgium, Bulgaria, Chile and Czechoslovakia, and Great Britain introduced old-age and widows' and orphans'

insurance in 1925 and 1929. In 1927 pensions insurance for intellectual workers was adopted in Poland. In quite recent years, in spite of various difficulties, fresh progress has been made. Mention may be made, by way of example, of the invalidity, old-age and survivors' insurance scheme for wage earners in industry and trade in Hungary, which came into force in 1929; the French General Social Insurance Act, which came into force in July 1930; the recasting during the same year of the Belgian legislation on old-age and survivors' insurance for workers and salaried employees; the Swiss Old-Age and Survivors' Insurance Act, which has been passed by Parliament but which must be submitted to a referendum in accordance with the Swiss Constitution and which, it may be hoped, will survive this democratic test.

The idea of compulsory insurance has thus been widely adopted. On account of the nature and the gravity of the risks, invalidity, old-age and widows' and orphans' insurance requires, even more than sickness insurance, to be based on the compulsory principle. The long experience of a number of States Members is proof of this fact. Compulsory insurance has become the keystone of their social legislation, and it is in this compulsory form that invalidity, old-age and widows' and orphans' insurance must, it would seem, eventually be applied universally.

The attempt to draft international regulations must start from a point within the limits of the progress made by all the older industrial States. It will have to be based on the principle of compulsory insurance and on the principle of systematic general saving for the purpose of mutual aid.

Social insurance has certain advantages over individual thrift in that the possibilities of the latter are strictly limited in the case of wage earners, and its effectiveness depends on its being maintained for a long period uninterruptedly. One of the many advantages of insurance over a system of poor relief is the moral advantage of security, based on a clear and definite right to benefits acquired in return for the contributions demanded of the insured person during his working life. Insurance can be enjoyed only for a consideration, and its benefits cannot be gained gratuitously.

The principle that workers must be protected against the risks which threaten their livelihood has been forced upon European States and is more and more being accepted by oversea countries. In Europe compulsory insurance is the predominant, if not the

exclusive, means of covering this risk, but oversea countries have frequently adopted another method, namely, that of non-contributory pensions.

Non-contributory pensions do not belong either to insurance or to poor relief. In fact, it is somewhat difficult to assign any definite place to them, but it may be said that the more they differ from poor relief, the more they resemble insurance in their effects.

Such pensions schemes are governed by definite rules. The resources are provided out of the public budget either of the State, the provinces or the municipalities, without any direct contribution from the future beneficiaries. Pensions are granted only to nationals of the country who have been resident in the country for many years and who, when certain social risks materialise, find themselves with little means or none.

The right to a pension is therefore objectively defined, and is verified in each case by a special authority, and the possibility of arbitrary decisions is excluded. This authority must grant the legal pension whenever the applicant fulfils the required conditions. Non-contributory pensions are not a form of poor relief, and the pensioner loses none of his civic rights.

Non-contributory pensions are distinct from insurance benefits in a number of ways. Thus, pensions are granted by and at the expense of the community and may be withheld when the needs and the conduct of the applicant justify such a step. Insurance benefits, on the other hand, are a definite right independent of the needs and means of the insured person, and they may not be withheld so long as the consequences of the event insured against continue. Other differences might be pointed out with regard to the method of raising funds, but there is no need to push the comparison further.

The Conference will find in a special technical report a description of the working of non-contributory pensions schemes in Denmark, Great Britain and the Irish Free State and their rapid development in many non-European States Members, such as Australia, Canada, New Zealand and the Union of South Africa. In spite of this progress, the Conference will note that in Europe non-contributory pensions schemes have lost ground as insurance has developed, and that even in certain oversea countries the possibility of converting non-contributory schemes into insurance schemes is under consideration.

Whatever their merits, non-contributory pensions schemes are at present in existence in several States Members in the place of

insurance schemes. In other countries non-contributory pensions exist side by side with or in addition to insurance schemes until such time as the latter take full effect. Pensions are granted without contributions to persons who have passed the retiring age when the insurance scheme is put into force, to the survivors of persons who would have been insured if they had lived until that time, or to insured persons who are too old when the scheme comes into force to complete the normal qualifying period and who are therefore granted benefits under transitional provisions. No existing or future insurance scheme can avoid granting pensions to certain persons who have not contributed—at least during the earlier years of its operation.

It does not necessarily follow that the Conference, when dealing with the question of invalidity, old-age and widows' and orphans' insurance, would be justified (except during the initial period of the insurance scheme) in placing non-contributory pensions and insurance benefits on a footing of equality. Despite the similarity in the aims of the two systems, the line of demarcation would appear to be too marked for the two to be simply equated.

The problem has been pointed out, and it must be left to the Conference to judge what material and moral guarantees must be given by a non-contributory pensions scheme before it can be considered as an adequate method of protection against the risks of invalidity, old age and death.

In accordance with Article 6, paragraph 4, of the Standing Orders of the Conference, this report has been approved by the Governing Body of the International Labour Office at its Fifty-fifth Session (12-17 October 1931). It comprises three sections.

The first section contains a comparative analysis of the main provisions of national legislation on invalidity, old-age and widows' and orphans' insurance. The second section, entitled "Conclusions", points out which problems appear suitable, in the light of the comparative analysis, for regulation on an international basis. In the third section, entitled "Consultation of the Governments", in accordance with the Standing Orders an effort has been made to fix as completely as possible the points upon which Governments should be consulted with a view to the preparation of a final report on which the second discussion of the problem will be based.

PART I

SCOPE

INTRODUCTION

Invalidity, old-age and widows' and orphans' insurance is intended to meet the economic loss consequent upon:

- (a) pathological invalidity at an early age,
- (b) invalidity resulting from old age, that is, from physiological reasons,
- (c) the death of the breadwinner of the family.

The insurance thus covers risks to which the whole population is exposed. It can consequently be organised as a general system of popular insurance, or its scope can be restricted to certain sections of the population. In fact, while the former method has been adopted by the legislation of a few States, in the great majority of States which have introduced invalidity, old-age and widows' and orphans' insurance the basic idea has been that insurance should be compulsory only for persons of small means. For this purpose it is assumed that the fact of being a wage earner implies that one is a person of small means. In two respects, however, more or less important deviations from this principle may be met with.

If it is intended to cover by insurance all persons of small means, then clearly it would not suffice to make insurance compulsory for wage earners only, because in every country there are independent workers whose economic situation is no better than that of some wage earners. For this reason the legislation in a number of countries makes insurance compulsory for more or less extensive groups of independent workers.

On the other hand the situation of certain categories of wage earners is so favourable that they cannot be considered as persons of small means. In order to meet this case, the legislation in some countries has excepted persons in highly paid employment from liability to compulsory insurance.

The following chapters deal *first* of all with compulsory insurance for wage earners, and then with national insurance.

CHAPTER I

COMPULSORY INSURANCE OF WAGE EARNERS

§ 1. — General Conditions determining Liability to Insurance

The legislation on workers' insurance makes insurance compulsory in principle for wage earners, but rarely defines the meaning of this term. In practice it has been interpreted for the purposes of the application of the legislation as meaning that a worker is liable to compulsory insurance when he fulfils the following conditions.

(1) *Work in a Dependent Position*

The work must be such as is exercised by way of trade. The worker must be subject to the supervision and instructions of his employer when carrying out the work.

(2) *Work under a Contract*

It is immaterial whether the contract is in writing or merely implicit, and in any case liability to insurance does not arise because of the existence of the contract but only when the contract is put into force. The essential point is that the person for whom the work is performed makes some return for the same.

(3) *Work as the Ordinary Means of Livelihood*

The return made by the employer must be such that it has a certain importance for the subsistence of the worker. Whether the remuneration is paid in cash or in kind is immaterial.

Any person holding a position in which he fulfils these conditions is liable to compulsory insurance, whatever may be the term used

to describe his relationship with his employer. It is unimportant to know whether the worker is described as a salaried employee, foreman, domestic servant, journeyman, etc., so long as he fulfils the above conditions. This does not mean that all persons to whom compulsory insurance applies must necessarily be included in one and the same insurance system. It is quite possible to give effect to the principle of compulsory insurance for all wage earners while making it compulsory for persons belonging to certain occupational groups or certain branches of economic activity to belong to a special insurance scheme.

§ 2. — Extent of Compulsory Insurance Legislation

In many countries compulsory insurance was first of all applied to certain branches of economic activity or to certain occupations, and then extended gradually to an ever-increasing circle of workers. In a few other countries a unitary scheme covers the entire body of workpeople. Thus, according to the country considered, one finds either unitary general schemes or a series of separate or special schemes. The reasons, whether historical, social, occupational or technical, which have led to the creation of a unitary scheme or a multiplicity of schemes cannot be examined here. From the list of countries enumerated below, however, one can see how far compulsory insurance has extended up to the present.

(a) Countries in which compulsory insurance applies to all wage earners:

Austria: workers' insurance, agricultural workers' insurance (these schemes are not yet in operation), salaried employees' insurance, miners' insurance;

Belgium: workers' insurance, salaried employees' insurance, miners' insurance, seamen's insurance;

Bulgaria: unitary general scheme applying to all wage earners;

Chile: Workers' insurance, salaried employees' insurance.

Czechoslovakia: workers' insurance, salaried employees' insurance, miners' insurance;

France: general scheme applying to all wage earners (with certain modifications for agricultural workers), miners' insurance, seamen's insurance;

Alsace-Lorraine: workers' insurance, salaried employees' insurance, miners' insurance;

Germany: workers' insurance, salaried employees' insurance, miners' insurance;

Great Britain and Northern Ireland: unitary general scheme applying to all wage earners;

Irish Free State: unitary general scheme applying to all wage earners, insuring against invalidity only;

Italy: unitary general scheme;

Netherlands: unitary general scheme, miners' insurance;

Spain: unitary general scheme;

U.S.S.R.: unitary general scheme applying to all wage earners, insuring against invalidity only.

(b) Countries in which compulsory insurance applies to certain branches of economic activity or certain occupations or certain regions of the State:

Argentina: insurance of bank staffs, insurance of staffs of private undertakings of public utility;

Brazil: insurance of railway and harbour workers;

Cuba: insurance of seamen and harbour workers;

Ecuador: insurance of bank staffs;

Greece: tobacco workers' insurance, seamen's insurance, insurance of workers in bakeries and flour mills, etc.;

Hungary: workers' and salaried employees' insurance, miners' insurance; agricultural workers are excluded;

Lithuania: workers' and salaried employees' insurance in Memel Territory;

Luxemburg: workers' insurance, salaried employees' insurance; agricultural workers are excluded;

Poland: intellectual workers' insurance throughout the State; Western Provinces and Upper Silesia: workers' insurance; Upper Silesia: miners' insurance; Southern Provinces: miners' insurance.

Rumania: former Kingdom and Bessarabia: insurance of workers, salaried employees and craftsmen in industrial undertakings; Ardeal: miners' insurance;

Uruguay: insurance of bank and exchange staffs, insurance of staffs of public utility undertakings;

U.S.S.R.: As regards old-age insurance, pensions can at present be granted to workers and salaried employees in the metal, electrical, mining, textile, printing, chemical, glass and pottery industries, and in railway and water transport. Gradual extension to other kinds of undertakings is provided for by the Five-Year Plan;

Yugoslavia: miners' insurance; Slavonia and Dalmatia: salaried employees' insurance.

In addition there exist in almost all countries special schemes of compulsory insurance for railway workers and civil servants, which will not be dealt with in this volume.

§ 3. — Application of Compulsory Insurance to Wage Earners in the Several Branches of Economic Activity

INDUSTRY AND COMMERCE

Workers and salaried employees in industrial and commercial undertakings are liable to compulsory insurance in the following countries: *Austria, Belgium, Bulgaria, Chile, Czechoslovakia, France, Germany, Great Britain and Northern Ireland, Hungary, the Irish Free State, Italy, Luxemburg, the Netherlands, Spain* and the *U.S.S.R.*

In *Poland*, as has already been stated, the only scheme of compulsory insurance which operates throughout the State is that which applies to intellectual workers.

Similarly, in *Rumania* insurance is only compulsory in the former Kingdom and Bessarabia for workers, salaried employees

and craftsmen in industrial undertakings; the only other scheme of compulsory insurance in the rest of the country is that of the miners in Ardeal.

AGRICULTURE

In the majority of countries which have established schemes of compulsory insurance for all wage earners in industry and commerce, agricultural workers are likewise liable to insurance. Such is the case in the following countries: *Austria, Belgium, Bulgaria, Chile, Czechoslovakia, France, Germany, Great Britain and Northern Ireland, the Irish Free State, Italy, the Netherlands, Spain and the U.S.S.R.*

The *French Act* of 1930 contains a series of special provisions relating to old-age and death insurance for agricultural workers, but does not render them liable to invalidity insurance.

The *Austrian* legislation comprises a special scheme of compulsory insurance for agricultural workers which, however, is not yet in force.

MINES

Miners are generally covered by a special scheme of compulsory insurance which is more favourable than the general scheme, especially in the matter of pensionable age. Such is the case in the following countries: *Austria, Belgium, Czechoslovakia, France, Germany, Hungary, Italy (sulphur mines), the Netherlands, Poland, and Yugoslavia.*

MARITIME NAVIGATION

Seamen are either subject to the general scheme of insurance, as in *Bulgaria, Chile, Germany, Great Britain and Northern Ireland, the Netherlands and the U.S.S.R.*, or to a special scheme as in *France, Greece and Italy.*

RAILWAYS

Railway workers are generally covered by a special scheme offering in almost all countries higher benefits than the general scheme applying to workers and salaried employees in industrial and commercial undertakings. In some countries, however, they are covered by the general scheme, as in *Czechoslovakia, Germany and the U.S.S.R.* In Germany there exists also a supplementary insurance scheme established by collective agreement.

PUBLIC SERVICES

Workers and salaried employees in the public services are as a rule liable to insurance under the general scheme. Such is the case, for example, in *Bulgaria, Chile and Germany*. In Germany workers and salaried employees in the public services must, in addition, as the result of a collective agreement, be affiliated to a special institution for the purpose of supplementary insurance.

Moreover, in all countries there exist for the benefit of civil servants special schemes covering the risks of invalidity, old age and death, which will not be described in this volume.

DOMESTIC SERVICE

There are certain difficulties in the application of compulsory insurance to domestic service, because the workers concerned are mostly women and continue to be wage earners only until they marry. Nevertheless, the tendency to extend compulsory insurance to domestic service is undoubtedly growing. Domestic service has been brought within the scope of compulsory insurance in *Bulgaria, Chile, France, Germany, Great Britain and Northern Ireland, the Irish Free State, Italy, the Netherlands and the U.S.S.R.* The same is true for the Western Provinces and Upper Silesia in *Poland*. In *Hungary* also legislation has been passed making insurance compulsory for persons in domestic service, but the application of the legislation has been indefinitely postponed. The *Luxemburg Act*, which does not include agricultural workers, makes compulsory insurance cover all domestic workers except those in agriculture.

HOME WORK

Home workers differ from other workers in that they are not employed in the employer's workshop under his supervision, but work in their own dwellings.

Their economic situation is exactly the same as that of all other workers, in so far as they work on behalf of an employer on material supplied by him. As the work is paid for by the piece, the home worker finds it advantageous under certain circumstances to employ assistance, for which he pays out of his own pocket. In that case he becomes an employer in the eyes of the law, but from an economic point of view he is still a wage earner.

Consequently, this group of home workers is covered by

compulsory insurance in nearly every country. This is the case, for example, in *Belgium, France, Germany, Great Britain and Northern Ireland, the Irish Free State, Italy, Luxemburg, Poland (Western Provinces and Upper Silesia) and the Netherlands*. According to *Czechoslovak* legislation, this group is covered by compulsory insurance, but the Government can exempt home workers whose wages are less than a certain minimum to be fixed by it. Up to the present, however, no advantage has been taken of this power.

The above-mentioned systems of legislation consider it immaterial whether the wage earner works alone or uses paid help. The regulations existing in the *U.S.S.R.*, on the other hand, exclude from the scope of compulsory insurance home workers who employ remunerated assistants.

According to *Hungarian* legislation, orders may be issued for the inclusion of home workers within the scope of compulsory insurance.

In contrast to the above-mentioned group of home workers, there is another group which constitutes an intermediate stage between wage earners and independent workers. These workers in home industries also execute orders given by one or more employers, but they obtain their materials at their own expense, so that the remuneration which they receive from the person who gives the order represents not merely their wages but also the value of the material. Their legal status is thus very similar to that of independent workers; their economic situation, however, is obviously one of dependence, because home workers of this type are not working for private customers but are, on the contrary, dependent on orders from employers.

A few systems of legislation include this group of home workers unconditionally in the scope of compulsory insurance. This is the case in *France (Alsace-Lorraine), Germany and Poland (Western Provinces and Upper Silesia)*. According to the legislation in *Luxemburg* insurance can be made compulsory for these workers by order.

§ 4. — Limitations Arising Out of the Occasional, Subsidiary or Temporary Character of the Employment

Employment involves liability to insurance only if it constitutes the regular means of livelihood of the worker or yields a wage which is of essential importance for his subsistence. In the case of persons who perform occasional, temporary or subsidiary work.

it is sometimes extremely difficult to decide in any particular case whether this condition has been fulfilled or not. A number of laws contain no guiding principles on this point but leave the decision in each case to the authorities responsible for the application of the legislation. In other States special rules have been drawn up establishing the criteria for deciding whether compulsory insurance shall apply to a person engaged in such work or not.

OCCASIONAL EMPLOYMENT

Any person who performs paid work for a short period when a chance opportunity occurs, without being a wage earner by trade, may be described as an occasional worker. There is no point in extending compulsory insurance to cover such a person, because from one day to the next he may cease to be a wage earner. It is clear that a worker cannot continue to be an occasional worker if he is employed for wages for a considerable period, because in this case the earnings obtained from his work must become of considerable importance for his subsistence. There is obviously no justification for exempting such a worker from compulsory insurance.

The question therefore arises: under what conditions should occasional employment be excluded from the scope of compulsory insurance ?

The majority of States have left the answer to this question to the discretion of these concerned and to the decision, if necessary, of the authorities competent to deal with disputes. This is the case, for example, in *Czechoslovak* legislation, which merely states that compulsory insurance shall not cover occasional employment.

In *Great Britain* and *Northern Ireland*, on the other hand, occasional workers in undertakings of any kind are, in principle, covered by insurance, but in certain cases the worker may at his own request be exempted. The regulations in *France* (Alsace-Lorraine), *Germany* and *Poland* (Western Provinces and Upper Silesia) exempt from insurance all persons performing work which by its nature or by the contract is limited to one week or any shorter period.

Similarly, the *Austrian* Salaried Employees' Insurance Act stipulates that persons who are not salaried employees are not liable to compulsory insurance if they undertake occasional employment the duration of which as fixed beforehand will not exceed a period of one month.

TEMPORARY EMPLOYMENT

Any person engaging in remunerative work for a limited period is a temporary worker in so far as his activity cannot be considered as occasional work. Occasional employment is never of much significance for the subsistence of the worker, whereas temporary employment may be all-important to him, for a worker may be temporarily employed by various employers in succession so that such employment constitutes his sole means of livelihood. On the other hand, it is clear that for technical reasons it is not always easy to apply insurance to persons thus employed successively in different situations, and that in particular it is difficult to supervise the application of the legislation in such cases.

Temporary employment is, however, in principle included within the scope of compulsory insurance by the majority of systems of legislation, e.g. *Bulgaria, Czechoslovakia, France, Germany, Great Britain and Northern Ireland, the Irish Free State, Italy, Luxemburg, the Netherlands, Poland* (Western Provinces and Upper Silesia), *Rumania* (former Kingdom and Bessarabia) and the *U.S.S.R.*

According to regulations in force in *Great Britain and Northern Ireland*, temporary workers who can prove that they were compulsorily insured for less than eighteen weeks during the immediately preceding year are exempt from compulsory insurance if they so desire.

Czechoslovak legislation empowers the Government to fix a minimum limit of earnings. If the earnings from temporary employment do not exceed this limit, there is no compulsion to insure. So far the Government has made no use of this power.

The *French* Social Insurance Act of 1930 in principle extends compulsory insurance to cover temporary employment. The only exception is when the temporary employment is carried out by persons who are not usually engaged in insurable employment during 90 days of any one year.

Seasonal Workers

Seasonal workers constitute a special group of temporary workers in that they are employed as wage earners only during one particular season of each year.

A few laws contain special provisions applying to all workers of this type. An example of this is the *Czechoslovak* Insurance Act,

under which the Government can issue orders excluding from the scope of compulsory insurance all persons employed on work which by its nature can be performed only at certain periods of the year. As the Government has not issued any such order, the general provisions of Czechoslovak legislation apply to all seasonal workers.

According to regulations in force in *Great Britain* and *Northern Ireland*, seasonal workers are in principle liable to insurance. A few classes of seasonal employment in agriculture, however, which are ordinarily taken up as a subsidiary mode of livelihood only entail liability to insurance if it should happen that the individuals concerned were already insured when they entered such employments.

Other systems of legislation contain special provisions for certain groups of seasonal workers only. *Bulgarian* legislation excludes in principle only agricultural seasonal workers from the scope of the compulsory insurance and at the same time grants power to the Government to extend this exemption to other groups. According to *German* law, exemption from liability may be granted to foreigners who are only authorised to remain in the country for a limited period. In virtue of this provision exemption had been granted, since before the War, to Poles coming from former Austrian and Russian territories to do seasonal work in agriculture. According to the Convention between Germany and Poland of 1927, which supplements this provision, Polish seasonal workers in agriculture who are only authorised to stay temporarily in Germany are exempt from liability under the German scheme, but those who are authorised to reside permanently are liable.

SUBSIDIARY EMPLOYMENT

Any employment regularly undertaken in addition to the occupation which is deemed to be the principal means of livelihood is known as subsidiary employment.

The legislator may adopt the point of view that a person's main employment is the sole criterion of whether he is a wage earner or not. In this case subsidiary work will be completely ignored in the legislation. This is the case in *Czechoslovakia*.

Another possibility is not to render liable to compulsory insurance in respect of their subsidiary employment persons who are already so liable in respect of their main employment, yet to apply the general provisions even to persons who are not wage

earners in their main employment. In that case compulsory insurance extends to these persons if the remuneration for their subsidiary employment is of a certain importance for their subsistence. This is the basic idea in the legislation in *France* (Alsace-Lorraine), *Germany* and *Austria*.

According to the *French* Insurance Act of 1930, persons who are wage earners only in their subsidiary employment are exempt from compulsory insurance unless their subsidiary activity occupies at least 90 working days each year. In deciding whether the individual wage earner has exceeded the maximum wage limit for liability to insurance and in reckoning the amount of the benefit, the earnings from his main employment as well as from his subsidiary employment are taken into account.

§ 5. — Limitations Arising Out of the Personal Qualifications of the Workers

PHYSIOLOGICAL CONDITIONS

Age Limits

The age of admission to insurance may be subject to both minimum and maximum limits.

As a rule, the lower age limit is automatically fixed by the legislation concerning the compulsory school age and by the provisions which generally exist concerning the minimum age for admission to employment. Nevertheless, certain insurance laws contain provisions to the effect that persons who have not reached a certain age are not covered by the insurance.

The *French* Insurance Act fixes a minimum age of 13 years (reduced to 12 for children possessing a primary school certificate and a medical certificate). In *Greece* (tobacco workers) the minimum age for girls is 14 years, and the same is the minimum for both sexes in *Bulgaria* and in the *Netherlands*.

In the following countries the minimum age for liability to insurance is 16 years: *Czechoslovakia* (workers; salaried employees), *Greece* (tobacco workers; boys), *Great Britain* and *Northern Ireland*, the *Irish Free State*, *Italy*, *Luxemburg*, *Poland* (miners in Upper Silesia), *Rumania* (former Kingdom and Bessarabia) and *Spain*.

In the *Austrian* salaried employees' insurance the lower age limit is 17.

No upper age limit is fixed in several legislations, for example, in *Austria* (workers; salaried employees), *Czechoslovakia* (workers; salaried employees), *France* (workers in Alsace-Lorraine), *Germany* (workers), *Luxemburg*, *Poland* (workers in Western Provinces) and the *U.S.S.R.* The standpoint in these countries therefore is that even persons becoming wage earners at an advanced age should be covered by the ordinary compulsory insurance legislation without any restriction.

In other countries the legislation excludes such persons from compulsory insurance by fixing a maximum age limit for admission to the scheme. The age limit differs very considerably in these countries. It is fixed at 35 in the *Netherlands* and in *Greece* (tobacco workers), 40 in *Poland* (miners), 45 in *France* (miners in Alsace-Lorraine), 60 in *France* (salaried employees in Alsace-Lorraine), *Germany* (salaried employees), *Poland* (intellectual workers; workers in Western Provinces and Upper Silesia), and 65 years in *Great Britain* and *Northern Ireland*, the *Irish Free State* and *Rumania* (former Kingdom and Bessarabia).

In two other States (*Bulgaria* and the pre-war territory of *France*) the legislation not merely fixes a maximum age limit for entry but also states that insured persons who reach this age limit then become exempt from insurance. In this case the age limit is an absolute one and has been fixed at 60 years in both instances.

A special system exists in *Spain*, where the maximum age for joining the insurance scheme is 45. Any person who is insured and passes this age remains compulsorily insured. Any person who enters insurable employment after having reached the age of 45 is obliged to pay contributions, but these contributions are treated as compulsory savings and procure benefits very different from those afforded under the general scheme of compulsory insurance.

Sex

As a general rule both sexes are treated on a footing of complete equality in legislation on compulsory insurance, but there exist special regulations in a few cases. The *Austrian* Salaried Employees' Insurance Act expressly excludes housewives who are employed for not more than 50 hours a month and who earn less than 80

schillings from this work. In *Greece* (tobacco workers), as was already mentioned, the minimum age limit for girls is 15 and for boys 16 years.

Working Capacity

It is clear that a person who is already incapacitated cannot be insured against the risk of invalidity. At the same time an insured person who becomes an invalid is not necessarily automatically excluded from compulsory insurance. This point will be dealt with later. All that is intended here is to refer to the provisions regulating the possible inclusion of invalid persons within the scope of compulsory insurance schemes.

There are persons who, while suffering from invalidity, have to a greater or less extent retained their working power and are employed on some task covered by compulsory insurance. The question then arises whether it is fair to exclude such persons from compulsory insurance against the risks of old age, death or the complete loss of their remaining working power.

There are no provisions on the point in a great number of legislations, such as the *Argentine* schemes for bank staffs and staffs of private undertakings of public utility, the *Brazilian* scheme for railway and harbour workers, the *Bulgarian* legislation, the *French* Insurance Act of 1930 and the legislation of *Great Britain* and *Northern Ireland*, *Hungary*, the *Irish Free State*, *Italy* and *Rumania* (former Kingdom and Bessarabia). Nevertheless, it can hardly be assumed that the intention of the legislator was to extend compulsory insurance, which applies to all wage earners irrespective of their physical and mental state, to persons already in receipt of an invalidity or old-age pension.

A certain number of systems of legislation expressly exclude such persons. This is the case, for example, in *Austria* (workers; salaried employees), *Czechoslovakia* (workers; salaried employees; miners), *France* (Alsace-Lorraine), *Germany* (workers; salaried employees), *Luxemburg* and *Poland* (workers in Western Provinces and Upper Silesia).

The legislation in *Chile* goes somewhat further, since it exempts from compulsory insurance all persons in receipt of a pension equivalent to that prescribed by the legislation.

Some laws exclude from the scope of the insurance not only all persons in receipt of a pension but all persons suffering from invalidity. This is the case in *France* (Alsace-Lorraine), *Germany* (workers; salaried employees), *Luxemburg* and *Poland* (workers

in Western Provinces and Upper Silesia). It should, however, be noted that under these laws admission to compulsory insurance is not dependent on the production of a medical certificate of health. The question of invalidity therefore probably does not arise until the person in question applies for exemption from the insurance or is so old that he may be expected to suffer already from invalidity or to do so at an early date.

The *Greek* scheme of insurance for tobacco workers is peculiar in that persons are not admitted to insurable employment unless they produce a certificate of good health. The same regulation exists in the case of miners' insurance in *Poland* (Upper Silesia).

POLITICAL AND CIVIL CONDITIONS

Nationality

Liability to compulsory insurance is as a rule not subject to any conditions as to nationality. Nevertheless, in a few countries foreigners are excluded, or their admission is conditional upon reciprocity, whether secured by law or treaty, or upon residence. Restrictions exist in the laws of the following countries: *Austria* (workers), *Bulgaria* (general scheme) and *France* (general scheme).

An analysis of the restrictions relating to the entry of foreigners into compulsory insurance schemes will be found in § 2 of Part VII.

Family Relationship with Employer

The existence of family relationship between the worker and his employer may, in certain cases, modify the liability of the former to insurance. Some laws make liability to insurance conditional on the existence of a contract of employment or on remuneration in cash or on other conditions.

Two cases will be examined: that of the employment of wife by husband or *vice versa*, and that of the employment of children by their parents.

(1) *Employment of wife by husband or vice versa*. — Certain laws exclude in principle from compulsory insurance a wife employed by her husband or *vice versa*. This is the case in *Austria* (workers; salaried employees), *Bulgaria*, *France* (Alsace-Lorraine), *Germany* (workers; salaried employees), *Great Britain* and *Northern Ireland*, the *Irish Free State* and *Poland* (workers in Western Provinces and Upper Silesia). In other laws these persons are liable to compulsory

insurance only when they receive remuneration in cash. This is the case in the *French* Insurance Act of 1930 with regard to agricultural undertakings: a wife who is employed by her husband and paid in cash is therefore covered by insurance, while one who is not paid in cash is exempt. According to *Hungarian* law a husband employed by his wife or a wife employed by her husband and not in receipt of wages in cash is excluded.

In the *Netherlands* a wife is insured not when she is paid in cash but when a contract of employment exists. In *Spain* a wife working in her husband's undertaking and living with him is exempt from compulsory insurance.

(2) *Employment of children by parents.* — Children employed by their parents are liable to compulsory insurance:

- (i) when they are paid in cash, in *Belgium*, *France* (Alsace-Lorraine), *Germany* (workers; salaried employees), *Great Britain* and *Northern Ireland*, and *Hungary*;
- (ii) when a contract of employment exists, in *Czechoslovakia* (workers; salaried employees) and the *Netherlands*;
- (iii) when they do not live with their parents, in *Spain*.

ECONOMIC CONDITIONS

Nature of the Remuneration

A wage earner is not always paid in cash. In many cases the employer meets his obligations by allowances in kind (free maintenance, "deputat" system), by granting the use of land, woods, pasture, etc., or by providing other advantages (e.g. permission to sell goods or services). It may be assumed that where the legislation contains no special provisions on the subject, compulsory insurance applies irrespective of the nature of the remuneration.

In a few States compulsory insurance does not apply when the remuneration consists merely in free maintenance. This is the case in *France* (Alsace-Lorraine), *Germany* (workers; salaried employees) and *Poland* (workers in Western Provinces and Upper Silesia).

Maximum Earnings

The question arises whether compulsory insurance shall apply to all wage earners irrespective of their economic and social position.

A number of systems of legislation answer this question in the affirmative. As a result all wage earners are covered by the compulsory insurance scheme irrespective of their means, income or earnings. This is the case in *Argentina* (staffs of banks and public utility undertakings), *Austria* (workers; salaried employees), *Belgium*, *Brazil* (railwaymen, etc.), *Bulgaria*, *Cuba* (seamen, etc.), *Czechoslovakia* (workers; salaried employees), *Poland*, *Rumania* (former Kingdom and Bessarabia) and the *U.S.S.R.*

A second group of laws ignores the amount of the earnings in the case of manual workers only. Such wage earners are therefore covered by compulsory insurance irrespective of the amount of their earnings. This is the case in *France* (workers in Alsace-Lorraine; miners), *Germany* (workers; miners), *Great Britain* and *Northern Ireland*, *Hungary* (workers; miners), the *Irish Free State*, *Italy* and *Luxemburg*.

In the case of salaried employees (non-manual workers), a maximum limit of salary is fixed by the legislation in these States, and anyone whose salary exceeds this limit is exempt from compulsory insurance. This figure is fixed at 18,000 francs a year in *France* (Alsace-Lorraine) and 12,000 francs for salaried employees of mining undertakings, in *Germany* at 8,400 RM. a year, in *Great Britain* and *Northern Ireland* and the *Irish Free State* at £250 a year, in *Hungary* at 6,000 pengö a year and in *Italy* at 800 lire a month.

In a few other countries there exists a wage limit which applies to all wage earners, whether manual or non-manual: *Chile*, *France*, the *Netherlands* and *Spain*.

In *Chile* the limit of 8,000 pesos a year relates not only to earnings, but also to income from all other sources.

In *France* the Act of 1930 prescribes a limit of annual earnings for workers and salaried employees which varies according to the place of residence and family responsibilities of the individual concerned: 18,000 francs in towns of over 200,000 inhabitants and 15,000 francs elsewhere; these figures are increased in respect of each child by 2,000 francs up to an inclusive maximum of 25,000 francs.

In the *Netherlands* the wage limit for entry into insurance is fixed at 2,000 florins a year; an insured person whose earnings increase beyond this limit remains insured unless they remain at a level of 3,000 florins for a period of at least six months, when he becomes entitled to exemption at his request.

In *Spain* the income limit is set at 4,000 pesetas a year.

§ 6. — Application of Insurance to Non-Wage Earners

APPRENTICES

The contract of apprenticeship is of a special character, so that apprentices cannot be considered as wage earners. They are, however, preparing to be wage earners, and for this reason certain systems of legislation extend compulsory insurance to apprentices. This is sometimes done irrespective of whether the apprentice receives remuneration or not. A further group of laws imposes compulsory insurance on apprentices only when they are remunerated in cash or in kind. Other laws, again, extend compulsory insurance only to apprentices who are paid in cash. The practical effects of these regulations can be appreciated only by studying them in connection with the regulations for the minimum age for admission to employment.

Details can be seen from the following table:

Apprentices are liable to insurance	Irrespective of age	After completing their sixteenth year	After completing their seventeenth year
Irrespective of their remuneration	Austria (workers) Chile Czechoslovakia (miners) Poland (intellectual workers) Yugoslavia (miners)	Italy Luxemburg Rumania (former Kingdom and Bessarabia)	Austria (salaried employees)
Only when remunerated in cash or in kind	France (1930 Act) Hungary Netherlands (miners)	Czechoslovakia (workers; salaried employees)	
Only when remunerated in cash	France (workers in Alsace-Lorraine) Germany (workers; salaried employees) Poland (workers in Western Provinces and Upper-Silesia) U.S.S.R.	France (workers and salaried employees in Alsace-Lorraine) Great Britain and Northern Ireland Irish Free State	

It should be noted that in France the Act of 1930 fixes a lower age limit of 12 or 13 years. This figure is so low that in practice

it is unimportant, and consequently in the above table the French Act is put along with those which apply compulsory insurance irrespective of age.

PERSONS WORKING ON THEIR OWN ACCOUNT

These workers are not wage earners, and therefore many systems of legislation exclude them in principle from compulsory insurance. Certain laws, however, include all independent workers of small means. Others, again, extend compulsory insurance to special groups of such workers.

(1) Legislation which extends compulsory insurance to all independent workers of small means.

This group includes the *Belgian* Act, under which all persons working on their own account who are liable for the occupational tax and whose earnings do not exceed 18,000 francs a year are covered by compulsory insurance. Reference should also be made to the legislation in *Chile*, according to which all independent workers and craftsmen with an average annual income of less than 8,000 pesos are liable to insurance.

(2) Legislation which extends compulsory insurance to certain groups of independent workers only.

According to *German* law independent workers in home industries are liable to invalidity insurance, while independent teachers, musicians and midwives who do not employ any assistants are liable to salaried employees' insurance.

According to the *French* Insurance Act of 1930 compulsory insurance extends to share farmers who usually work alone or with the help of members of their family and who do not own any livestock when they enter into their agreement.

According to the legislation in *Luxemburg* the Government can issue orders applying compulsory insurance to the following persons working on their own account: (a) heads of undertakings who do not normally employ more than two wage earners; (b) workers in home industries, irrespective of the number of assistants whom they employ.

§ 7. — Territoriality of Compulsory Insurance

The provisions concerning compulsory insurance naturally apply only to the territory of the State which has introduced the legislation, unless a provision to the contrary is made in the law

in question. Since the legislation applies in principle to all wage earners, the important point is always the place in which the work is carried out and not the abode or domicile of the wage earner.

A small number of laws make exceptions from the principle of territoriality in certain special cases.

The most important exception is made by the *Hungarian* insurance legislation, according to which Hungarian citizens employed by a Hungarian undertaking abroad are liable to compulsory insurance if they are not covered by insurance in the country in which they work.

A similar but less extensive exception is to be met with in the legislation of *Czechoslovakia*, *France* (Alsace-Lorraine), *Germany* and *Poland* (workers in Western Provinces and Upper Silesia). In these cases the theory adopted is that persons who are liable to insurance and are temporarily employed abroad by an undertaking whose headquarters are situated within the territory of the country are covered by compulsory insurance while so employed.

In certain systems of legislation citizens of the country employed in official capacities abroad come under the compulsory insurance scheme if they would be covered by that scheme while holding a similar post in their own country. This is the case in the *German* workers' and salaried employees' insurance schemes, the *Polish* intellectual workers' insurance scheme and in the *U.S.S.R.*

The *Austrian* workers' insurance law excludes from compulsory insurance all persons employed abroad. This exclusion applies also to persons employed abroad by Austrian firms. Under the Austrian salaried employees' insurance legislation, on the other hand, the employees of foreign firms employed in Austria are exempt from insurance unless they are employed by an Austrian branch of the firm in question.

§ 8. — Voluntary Insurance

Many schemes of wage earners' insurance make provision also for voluntary insurance in the case of:

- (1) persons who have become exempt from compulsory insurance (continued insurance);
- (2) persons of small means not covered by the compulsory insurance scheme (voluntary insurance proper).

CONTINUED INSURANCE

Several States grant the right of continued insurance to all persons who have ceased to be liable to compulsory insurance. This is the case in *Austria* (salaried employees), *Czechoslovakia* (salaried employees), *France* (workers and salaried employees in Alsace-Lorraine), *Germany* (workers; salaried employees), *Hungary* (general scheme; miners), *Italy*, *Luxemburg*, *Poland* (intellectual workers; workers in Western Provinces) and *Spain*. In *Great Britain* and *Northern Ireland* and the *Irish Free State* persons who cease to be liable to compulsory insurance are in general permitted to continue as members of the insurance scheme, but this right is not granted to married women.

As was already mentioned, a special rule obtains in the *Netherlands*, where an insured person who exceeds the limit of earnings remains liable to insurance unless he voluntarily withdraws.

In other systems of legislation the right to continued insurance is made subject to the condition that the income or earnings of the person in question do not exceed a certain limit. In *Chile*, for example, persons who have ceased to be liable to insurance may continue to be voluntarily insured only if their total income does not exceed 16,000 pesos a year. Similarly, the *French Act* of 1930 permits voluntary continued insurance when the person in question does not earn more than 17,000 francs a year by his occupational activity. In cities of more than 200,000 inhabitants this limit is raised to 20,000 francs, and in both cases an additional 2,000 francs is allowed for each child up to a maximum of 27,000.

The miners' insurance legislation in *Czechoslovakia* belongs to the group of laws which prohibit continued insurance in principle, but at the same time any person who was compulsorily insured and who ceases to be so before having completed the qualifying period of five years is permitted to continue his contributions until he has completed this period.

In some cases continued insurance is permitted unconditionally for all persons formerly liable to compulsory insurance, whereas in other cases a minimum qualifying period is required.

The insurance can be continued voluntarily, irrespective of the period of membership, in the *French* insurance scheme of 1930, in the *German* workers' insurance scheme, and under *Italian* and *Luxemburg* insurance legislation.

In other cases continued insurance is permitted only after the following qualifying periods: 10 years in the *Belgian* salaried

employees' insurance scheme, 1,500 weeks in the *Greek* tobacco workers' insurance scheme, 60 months in the *Austrian* salaried employees' insurance and the *Hungarian* miners' insurance schemes, 200 weeks in *Rumania* (general scheme in the former Kingdom and Bessarabia), 30 months in the *Czechoslovak* salaried employees' insurance scheme, two years in *Great Britain* and *Northern Ireland* and the *Irish Free State*, 6 months in *France* (salaried employees in Alsace-Lorraine), 4 months for the *German* and *Polish* salaried employees' insurance, and 3 months for workers' insurance in *Czechoslovakia*.

VOLUNTARY INSURANCE PROPER

Many systems of legislation permit voluntary insurance for persons who are in need of protection but for whom insurance is not compulsory.

The right to voluntary insurance proper is permitted for certain groups of workers in the following systems of legislation:

State	Scheme	Persons for whom voluntary insurance is permitted
Austria	Workers' insurance	Persons not liable to insurance employed in private households as domestic servants, washerwomen and seamstresses.
Czechoslovakia	Workers' insurance	Wage earners who are excluded from compulsory insurance because of their low earnings or because they have not reached the age of 16 years.
Germany	Miners' insurance (salaried employees' section)	Salaried employees in mining undertakings who are exempt from compulsory insurance because they have passed the limit of earnings.
Poland	Miners' insurance in Upper Silesia	Members of miners' sickness funds who are excluded from compulsory insurance because of their state of health and who have paid 250 weekly contributions to the sickness fund.
Poland	Miners' insurance in the Southern Provinces	Workers and salaried employees, including apprentices, in industrial undertakings connected with mining undertakings and the staff of miners' insurance funds.

The following systems of legislation permit voluntary insurance proper, not only for certain wage earners, but also for certain groups of independent workers.

State	Scheme	Persons entitled to insure voluntarily	
		Wage earners	Independent workers
Bulgaria	General scheme	Wage earners employed in State undertakings in so far as the benefits to which they would be entitled under the legislation on pensions for State workers are less than those to which they would be entitled under the general scheme.	Persons engaged in industry and commerce and members of the liberal professions, provided that their annual earnings do not exceed 50,000 leva.
Germany	Workers' insurance	Persons temporarily employed as wage earners, and wage earners who are remunerated only by free maintenance.	Industrial and other independent workers who do not employ more than two persons liable to compulsory insurance.
Germany	Salaried employees' insurance	Salaried employees who are exempt from insurance because their annual earnings exceed the salary limit.	Independent persons engaged in work similar to that of salaried employees.
Hungary	General scheme	The legislation contains a long list of groups of wage earners, including ministers of religion, church employees, soldiers, solicitors' clerks, etc.	Persons working independently in home industries or commerce or as midwives.
Italy	General scheme	Wage earners who have ceased to be liable to compulsory insurance.	Independent workers, small peasants, persons engaged in commerce and industry and members of the liberal professions, in so far as they pay less than 500 lire in direct national taxation annually, in each case.

State	Scheme	Persons entitled to insure voluntarily	
		Wage earners	Independent workers
Luxemburg	Workers' insurance	Agricultural workers and domestic workers who are exempt from compulsory insurance, as well as salaried employees who are exempt because their annual earnings are above the salary limit.	Independent workers in home industries whose annual earnings do not exceed 10,000 frs.

According to the *Austrian Salaried Employees' Insurance Act*, voluntary insurance is permitted only for teachers and other persons engaged in education who are not salaried employees and who employ no assistants.

In another group of laws voluntary insurance is open to all persons who are not liable to insurance. This group includes the *Spanish Act* and the *French Social Insurance Act of 1930*. The scope of voluntary insurance is still wider in *Belgium*, *Chile* and the *Netherlands*, where even persons who do not work for their living may under certain conditions become insured.

Physiological Conditions

Many systems of legislation permit voluntary insurance only for persons who have not exceeded a certain age limit. This limit is fixed at 60 years in *Belgium* and in the *French Act of 1930*, at 45 years in *Chile* and *Poland* (miners in Upper Silesia) and at 40 years for workers' and salaried employees' insurance in *Germany* and *France* (Alsace-Lorraine) and for social insurance in *Luxemburg*.

It is natural that invalids should be excluded from the right to voluntary insurance. A certain number of laws, such as the *Austrian Workers' Insurance Act*, the *Chilean Insurance Act* and the *French Act*, demand a medical certificate from those who apply for voluntary insurance.

Political and Civil Conditions

In a number of countries foreigners are excluded from voluntary insurance proper. This is the case, for example, in *Chile*, *France* (Act of 1930) and *Italy*. The *Bulgarian Act* permits voluntary insurance for foreigners only when a special official authorisation

is given. Married women are excluded in *Great Britain* and *Northern Ireland* and the *Irish Free State*, and, if they are foreigners, in *Spain*.

As a rule the gainful activity which gives access to voluntary insurance must be carried out within the country in question. Exceptions from this rule are permitted by *Hungarian* and *Italian* law, according to which citizens living abroad and engaged for some time in work which would have made them liable to compulsory insurance if they had remained in their own country are permitted to insure voluntarily.

Maximum Earnings or Income

In many laws a limit of annual earnings or income is fixed for voluntary insurance proper.

In some countries this limit is the same for wage earners and for independent workers. In *Chile* it is fixed at 8,000 pesos and in *France* at 18,000 francs in cities of over 200,000 inhabitants or in industrial centres and at 15,000 francs in other places. In *France* an allowance of 2,000 francs may be added for each child maintained by the insured person up to a maximum of 25,000 francs.

In other States the limit of earnings refers only to independent workers, as, for instance, in *Bulgaria* (50,000 leva) and in *Luxemburg* (10,000 francs).

In some States voluntary insurance proper is permitted only when it is collective. Thus, in *Italy*, friendly societies for the staffs of industrial or commercial undertakings may undertake voluntary insurance for all their members who are not subject to compulsory insurance. A similar provision exists in the Miners' Insurance Regulations in the Southern Provinces of *Poland*, where workers employed in subsidiary undertakings attached to the mines are permitted to insure collectively, provided that apprentices are included.

CHAPTER II

COMPULSORY INSURANCE OF PERSONS OF SMALL MEANS, AND NATIONAL INSURANCE

Although it has been seen that workers' insurance in some cases includes certain groups of persons of small means, the main idea of all the schemes of this type is that compulsory insurance, unless expressly stipulated to the contrary, should apply only to persons who are employed for remuneration.

In recent years schemes have been developed in a few countries which aim, not at including wage earners merely, but at extending compulsory insurance to all persons of small means (Denmark) or to all citizens (Sweden) or even to all the inhabitants (Switzerland). The scope of these schemes will now be described.

DENMARK

Compulsory insurance against invalidity applies to all active members of sickness funds who are considered as persons of small means. Sickness insurance is on a voluntary basis, so that invalidity insurance must be considered as a compulsory supplementary insurance to the voluntary sickness insurance.

Every man or woman of small means, whether employed or working independently, who cannot be considered an invalid on account of illness or any temporarily acute chronic disease or any incurable disease or bodily defect may become an active member of the sickness insurance scheme. It is only in Copenhagen that a medical certificate of health is required; in other places such a certificate is demanded only in doubtful cases.

In point of fact the great majority of persons of small means are members of the sickness funds, so that in practice invalidity insurance may be considered as compulsory for persons of small means.

There is a lower and an upper limit of age for this insurance in so far as admission to voluntary sickness insurance is granted, in principle, only to persons over 14 and under 40 years of age. The

rules of the sickness insurance institution may raise the general upper age limit, and in addition individual exceptions may be made subject to certain conditions. Insured persons continue to be members of the invalidity insurance scheme until they have completed their 62nd year. A further condition of admission to sickness insurance and therefore to invalidity insurance is Danish citizenship and domicile.

The Minister for Social Affairs determines what persons shall be considered as being of small means by fixing a maximum limit of income and capital. At present the limit of annual income is 4,200 kroner for Copenhagen and the surrounding district, 4,000 kroner for other towns and centres of over 2,000 inhabitants, 3,500 kroner for towns and centres with from 1,000 to 2,000 inhabitants and 2,900 kroner for other parts of the country. A sum of 300 kroner is added to this limit of annual income for each child under 15 years of age. The limit of capital has been fixed at 10,000 kroner for unmarried persons and 14,500 kroner for the heads of families. Income is defined as being the sum on which the wage earner is assessed for the purpose of income tax.

Every person employing apprentices is obliged to insure these apprentices against sickness. Apprentices thus become liable to invalidity insurance.

Any person who has drawn sickness benefit for 60 weeks in the course of three financial years ceases to be an active member of the sickness fund. He is considered as being temporarily suspended but he is entitled to continue his invalidity insurance voluntarily if he so desires.

"Well-to-do" members of the sickness fund are not only exempt from invalidity insurance but are not even permitted to become voluntarily insured.

SWEDEN

Every Swedish citizen resident in the country, irrespective of sex, is compelled to be insured against invalidity and old age. The only exceptions are for civil servants, State employees and members of the military forces who have a permanent contract of employment, ministers of religion and their wives; all these persons may expect to receive higher pensions than those which are granted under the compulsory insurance scheme. The Government may also exempt from compulsory insurance any persons who are employed by the State and who have the right to expect a pension.

All persons between the ages of 16 and 66 who are on the national register of taxpayers are liable for contributions. Any person may pay voluntary contributions until the calendar year in which he reaches the age of seventy. Invalids are not compelled to contribute, but they may, if they wish, insure against old age.

SWITZERLAND

The Federal Act concerning old-age and survivors' insurance, which has been passed by the Federal Council but which has not yet come into force, makes insurance against old age and death compulsory for all persons between the ages of 19 and 65 who are domiciled in Switzerland. Persons living temporarily abroad are not exempt from this obligation.

Foreigners will be liable to contribute to this insurance scheme after one year's continuous residence in the country in so far as they take up their residence in Switzerland before the end of the calendar year in which they reach the age of 55. Swiss citizens who take up residence abroad will be entitled to continue their insurance contributions voluntarily.

PART II

RISKS COVERED AND BENEFITS

INTRODUCTION

Compulsory insurance generally covers the risks of invalidity, old age and premature death, sometimes only those of old age and death, and occasionally simply that of invalidity.

National legislation must define the risks it covers: origin, nature, degree and duration of invalidity; age of award of old-age pension; and categories of persons entitled to survivors' benefit.

Payment of benefit is made conditional not only on the happening of the event insured against, but also as a rule on the fulfilment of other requirements, particularly the completion of a qualifying period and the retention of insurance status until the event happens.

Benefits in cash are fixed according to principles and regulations which vary considerably in the legislation of different countries—fixed benefits independent of the duration of insurance and of the number and rate of the contributions paid; and variable benefits composed of several elements, some fixed and equal for all insured persons, the others varying according to the number and rate of the contributions paid. Family responsibilities are also taken into account in nearly every country.

The study of cash benefits therefore implies an examination of the definition of each risk covered, of the conditions for benefit and of the methods of computing pensions and lump sums.

Finally, invalidity, old-age and widows' and orphans' insurance, like sickness insurance, is coming more and more to undertake preventive and curative measures. Attention to invalids and to members of the family of the insured person forms the first stage in

the preservation of health; curative and preventive measures intended to avoid, retard or reduce invalidity are the next.

In the succeeding chapters the following subjects will be taken in turn:

- (1) Old-age pensions;
 - (2) Invalidity pensions;
 - (3) Survivors' pensions and lump sums in case of death;
 - (4) Benefits in kind.
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CHAPTER 1

OLD-AGE PENSIONS

§ 1. — Risk Covered

Insurance against old age may, theoretically at least, owe its origin to two separate aims, namely, the desire to put elderly persons beyond the reach of poverty should their health fail them, or secondly, the wish to enable them to reduce or even to cease their daily toil at a given age. In the first case it is a matter of covering a risk of loss of earning capacity, which falls within the field of invalidity insurance. In the second case it is a matter of saving.

Insurance against old age may thus be intended merely to compensate for the loss of income resulting from the natural invalidity which, though due to age, is nevertheless actual and entails incapacity for work, or on the contrary to secure at a given age an income which will allow the insured person to cease work wholly or partially and enjoy repose before his health fails. In the latter case the pensionable age in no way presupposes the onset of invalidity, but is rather the beginning of a well-earned period of rest.

National legislation favours the second conception and makes a distinction between old-age and invalidity risks, with the result that old-age pensions are payable at a certain age subject to certain conditions as to the period of insurance, while invalidity is covered by a scheme of term insurance which as a rule ceases when the worker becomes entitled to an old-age pension.

Such, however, is not the case in the *U.S.S.R.*, where workers other than those employed in the chemical, electrical, glass, metal, mining, pottery, printing, textile and transport industries must prove that they are really incapable of work in order to qualify for a pension.

§ 2. — Pensionable Age

All old-age pension schemes define the risk covered by specifying the age at which the insured person may claim a pension, irrespective of incapacity for work.

In exceptional cases the grant of an old-age pension may be dependent upon the attainment of an age fixed by law and the cessation of all work covered by insurance, this being so in *Argentina* (bank staffs), *Austria* (salaried employees), *Greece* (tobacco workers), and the *Netherlands* (miners).

In *Czechoslovakia* (workers) the pension is payable only if the wages earned by the insured person who continues to exercise his trade are notably inferior to the wages usually paid to a wage earner of sound mind and body employed in the same trade in the same district. There is no question in this case of any restriction of the risk covered to senile invalidity, as the insured person is not required to prove that he cannot work. The voluntary cessation of an occupation liable to insurance and adequately paid entitles the insured person to a pension in the same way as failure of earning capacity resulting from sickness.

The pensionable age is moreover not always rigidly fixed by law, certain schemes allowing the insured person to claim the pension several years (five to ten at most) in advance or to postpone his claim; this is the case for example in *Austria* (salaried employees), *Belgium* (workers; salaried employees), *Chile* (workers), *France* (general scheme) and *Italy* (general scheme). In *Germany* (salaried employees) premature claims are admitted only if the insured person can show that he has been unemployed for at least a year, in which case the pension ceases at the same time as the unemployment. In *Luxemburg* (salaried employees) the insured person may claim the payment of his pension five years before the statutory pensionable age provided that he ceases all work liable to insurance under the salaried employees' insurance scheme.

In some cases also the pensionable age varies with the sex of the insured person, as in *Austria* (salaried employees), *Belgium* (workers) *Czechoslovakia* (salaried employees), *Poland* (intellectual workers) and the *U.S.S.R.* (chemical, electrical, glass, metal, pottery, printing, textile and transport industries), or with the arduousness of the work, as in *Belgium* (miners) and the *U.S.S.R.* (miners), or, again, with the length of the period of membership, as under the occupational insurance schemes in *South America*.

The main provisions concerning the pensionable age are summarised below, the legislation being classified according to whether it relates to inter-occupational schemes or occupational schemes.

INTER-OCCUPATIONAL SCHEMES

Austria. — Workers: 65 years; the insured person may defer his claim to a pension.

Belgium. — Workers: 65 years for men, 60 years for women; in unhealthy industries: 60 years for men and 55 years for women; the insured person may claim the payment of his pension in advance, but not more than five years before reaching the statutory pensionable age; in such cases the pension is reduced in accordance with coefficients of reduction based on the expectation of life¹.

Bulgaria. — Workers: 60 years.

Chile. — Workers: 55, 60 or 65 years at the option of the insured person.

Czechoslovakia. — Workers: 65 years; the payment of the pension is as a rule dependent on the cessation of all gainful activities liable to any scheme of compulsory insurance, but the exercise of such activities does not preclude the payment of the pension when the wages usually earned are at least 50 per cent. less than those earned by a worker, sound in mind and body, with similar training, employed in the same trade in the same district.

France. — General scheme: 60 years; the insured person may claim the payment of his pension up to a maximum of five years earlier or later, when the pension is assessed by multiplying the sum normally payable at 60 years by coefficients based on the expectation of life.

Workers in Alsace-Lorraine: 60 years; the insured person may claim the payment of his pension in advance, but not more than five years before reaching the statutory pensionable age; in such cases the pension is assessed by multiplying the sum normally payable at 60 years by coefficients based on the expectation of life.

Germany. — Workers: 65 years.

Great Britain and Northern Ireland. — General scheme: 65 years.

Hungary. — General scheme: 65 years.

Italy. — General scheme: 65 years; the insured person may claim the payment of his pension in advance, but not more than five years before reaching the statutory pensionable age, provided that he has paid at least 480 weekly contributions; in such cases the pension is reduced in accordance with coefficients of reduction based on the expectation of life.

Luxemburg. — Workers: 65 years. Salaried employees: 65 years; the insured person may claim the payment of his pension in advance from his 60th year provided that he ceases to occupy a position as salaried employee liable to insurance.

Netherlands. — General scheme: 65 years.

Poland. — Workers in Western Provinces: 65 years;
Workers in Polish Upper Silesia: 60 years.

Rumania. — General scheme in former Kingdom: 65 years.

Spain. — General scheme: 65 years.

¹ The coefficient of reduction is equal to the ratio between the immediate benefit from the given capital and the deferred pension which the same capital would produce at 60 or 65 years of age, according to the sex of the insured person.

Switzerland. — National scheme: 66 years.

U.S.S.R. — Workers in the chemical, electrical, glass, metal, pottery, printing, textile and transport industries: 60 years for men, 55 years for women. Miners working underground: 50 years; surface workers: 60 years for men, 55 years for women.

SALARIED EMPLOYEES' SCHEMES

Austria. — 65 years for men, 60 years for women; the payment of the pension may be claimed by men from their 60th year and by women from their 55th year when at least 120 contribution months have been completed. In all cases the pension is payable only if the insured person ceases all work liable to insurance.

Belgium. — 65 years for men, 60 years for women; the insured person may claim the payment of the pension in advance, but not more than ten years before reaching the statutory pensionable age; in such cases the pension is reduced in accordance with coefficients of reduction based on the expectation of life.

Czechoslovakia. — 65 years for men, 60 years for women; the insured person may claim the payment of the pension in advance, but not more than five years before reaching the statutory pensionable age provided that he has paid at least 480 monthly contributions to the insurance fund.

France. — Salaried employees in Alsace-Lorraine: 60 years; the insured person may claim the payment of his pension in advance, but not more than five years before reaching the statutory pensionable age; in such cases the pension is reduced in accordance with coefficients of reduction based on the expectation of life.

Germany. — 65 years; the pension may be claimed from the 60th year if the insured person has been unemployed for at least one year; in such cases the pension ceases if the beneficiary obtains fresh employment, and in no case may it coincide with the payment of unemployment benefit.

Poland. — Intellectual workers: 65 years for men, 60 years for women; the payment of the pension may be claimed in advance, but not more than five years before reaching the statutory pensionable age, if the insured person has paid at least 480 monthly contributions (420 monthly contributions in the case of women); payment may in all cases be deferred until 480 monthly contributions have been paid.

MINERS' SCHEMES

Belgium. — 60 years for surface workers, 55 years for workers who have had 30 years' service underground.

Czechoslovakia. — 60 years if the insured person has paid contributions for 15 to 30 years; 55 years if he has contributed during 30 years or more.

France. — 55 years.

Germany. — 65 years; on application, the pension may be paid at 50 years provided that the claimant has completed 300 contribution months, including 180 as a working miner, and is no longer capable of performing work paid at the same rate as the best paid work performed by him otherwise than merely temporarily during his period of service.

Hungary. — 65 years; 60 years after 40 years of mining work or 25 years of underground work.

Netherlands. — 60 years; the pension is, however, payable only if the insured person ceases to work in a mining undertaking.

Rumania (Ardeal): 65 years.

Yugoslavia. — 55 years.

VARIOUS OCCUPATIONAL SCHEMES

Argentina. — Staffs of private undertakings of public utility: 50 years for the normal pension. Nevertheless a pension may be claimed from 45 years of age provided that it is reduced by 5 per cent. for each year by which the insured person is less than 50 years of age.

Bank staffs: same conditions as for the staffs of private undertakings of public utility, but the payment of the pension is always dependent upon the cessation of all work liable to insurance.

Brazil. — Railway and harbour workers: no condition as regards age when the insured person has completed 30 years' service; 55 years when he has completed more than 20 years' and less than 30 years' service.

Cuba. — Seamen and harbour workers: (a) salaried employees: no condition as regards age when the insured person has completed 30 years' service; 50 years when he has completed 25 years' service; 60 years when he has completed 10 years' service. (b) Workers: no condition as regards age when the insured person has completed 25 years' service; 50 years when he has completed 10 years' service.

Greece. — Tobacco workers: 55 years; the pension is payable only if the insured person ceases all work liable to insurance.

Uruguay. — Bank and exchange staffs: 60 years. The insured person may, however, claim the payment of his pension one year earlier for each year of service in excess of 30. Staffs of public utility undertakings: no condition as regards age.

§ 3. — Qualifying Period

The object of imposing a qualifying period in old-age insurance schemes is either to establish a certain ratio between the guaranteed benefits and the contributions, or to prevent the affiliation of persons who do not exercise an insurable occupation as a genuine means of livelihood and whose sole intention is to acquire a right to benefit.

The obligation to complete a qualifying period may, therefore, be waived without difficulty when the guaranteed benefits correspond exactly to the value acquired by the paid-up contributions. This method of providing for benefits, which is a savings scheme rather than insurance in the strict sense of the term, is met with in the schemes which accumulate contributions in individual accounts, as in *Belgium* (workers; salaried employees; miners) *France* (general scheme) and *Spain* (general scheme).

Exemption from the qualifying period has moreover but little practical worth, as the value acquired by the contributions standing in the name of the insured persons is proportional to the length of the contribution period. In *France*, however, the general insurance scheme, while imposing no qualifying period in connection with old-age risks, restricts the grant of the minimum pension to insured persons who have completed 30 contribution years, each corresponding to 240 contribution days.

Apart from schemes which accumulate contributions in individual accounts, the only case where no qualifying period is required is in the scheme in force in the *Netherlands*, under which risks are selected by the conditions of affiliation, wage earners over 35 years (general scheme) or 40 years (miners) not being liable to compulsory insurance.

In all other cases, when the guaranteed benefits do not correspond to the value acquired by the contributions paid on behalf of the insured person, the exercise during a specified minimum period of an insurable occupation and the payment of a specified number of contributions are essential conditions. This obligation is, however, frequently modified by treating certain periods, such as those of illness or unemployment, when contributions are not payable, as periods during which the insured person is deemed to have exercised an insurable occupation and to have contributed to insurance. This is the case in *Chile* (workers), *Czechoslovakia* (workers; miners), *France* (general scheme; salaried employees; miners), *Germany* (workers) *Great Britain* and *Northern Ireland*, *Hungary* (workers and salaried employees; miners), *Italy* (general scheme) and *Luxemburg* (workers).

In the *U.S.S.R.* no stipulation is made concerning contributions, insured persons being required merely to show that they have actually exercised a trade liable to insurance.

LENGTH OF QUALIFYING PERIOD IN DIFFERENT COUNTRIES

Country	Scheme	Length of period
Yugoslavia	Miners	30 years' insurance.
Argentina	Staffs of private undertakings of public utility.	30 years' service for full pension; 10 years' service for reduced pension.
Brazil	Railway and harbour workers.	30 years' service for full pension irrespective of age; 20 years' for pension at 55 years of age.
Cuba	Seamen and harbour workers	1° Salaried employees: 30 years' service for full pension irrespective of age; 25 years for full pension at 50 years; 10 years' for reduced pension; 2° Workers: 25 years' for full pension irrespective of age; 20 years' for full pension at 50 years; 10 years' for reduced pension.

Country	Scheme	Length of period
U.S.S.R.	Chemical, electrical, glass, metal, pottery, printing, textile and transport industries.	Men: 25 years' wage-paid work; Women: 20 years' wage-paid work.
France	Workers in Alsace-Lorraine	1,200 contribution weeks.
Poland	Workers in Western Provinces	1,200 contribution weeks.
Rumania	General scheme in former Kingdom	1,200 contribution weeks.
Argentina	Bank staffs	20 years' insurance.
Bulgaria	Workers	1,040 contribution weeks when insured person enters into insurance before 40 years of age; 520 after 40 and before 50 years of age; 260 after 50 years of age.
U.S.S.R.	Miners	Underground workers: 20 years' wage-paid work, including 10 years underground; Other miners: 25 years' wage-paid work.
Austria	Workers	500 weekly contributions, of which at least 104 must have been paid during the last 5 years, and 52 during the last 3 years preceding pensionable age.
France	Salaried employees in Alsace-Lorraine	Men; 120 contribution months; Women: 60 contribution months, provided that 60 monthly contributions have been paid under compulsory insurance. In all other cases, the period is increased to 150 or 90 months.
Luxemburg	Workers	2,700 working days for which contributions were paid or deemed to have been paid.
Greece	Tobacco workers	2,700 contribution days.
Uruguay	Bank and exchange staffs	10 years' service covered by insurance.
Italy	General scheme	240 contribution fortnights.
Hungary	Miners	10 years' mining work.

Country	Scheme	Length of period
Hungary	General scheme.	400 contribution weeks.
Rumania	Miners in Ardeal	8 years' mining work.
Great Britain and Northern Ireland	General scheme	104 paid-up weekly contributions and 5 years' continuous insurance from 60 to 65 years of age.
Austria	Salaried employees	60 paid-up monthly contributions.
Germany	Salaried employees	60 paid-up monthly contributions, including at least 30 in compulsory insurance; otherwise 90 months.
Poland	Intellectual workers	60 paid-up monthly contributions.
Czechoslovakia	Salaried employees	60 paid-up monthly contributions.
Czechoslovakia	Miners	60 contribution months
Luxemburg	Salaried employees	5 contribution years.
Germany	Workers	200 contribution weeks, including at least 100 in compulsory insurance; otherwise 500 weeks.
Poland	Workers in Upper Silesia	200 contribution weeks, including at least 100 in compulsory insurance; otherwise 500 weeks.
Germany	Miners (workers and salaried employees)	36 paid-up monthly contributions, whereof at least 24 in compulsory insurance. 300 months for pension at 50 years.
Poland	Miners in Up- per Silesia	3 years' insurance.
Chile	Workers	104 contribution weeks.
Czechoslovakia	Workers	100 contribution weeks, including at least 13 in compulsory insurance.
Switzerland	National scheme	No qualifying period; the insurance fund may however require proof that all contributions due have been fully paid up by the insured person or his canton or commune. Out- standing contributions may be paid after grant of pension or deducted therefrom, in which case the rate of contribution is increased.

Country	Scheme	Length of period
Belgium	Workers	No qualifying period.
Spain	General scheme	No qualifying period.
France	General scheme	No qualifying period. The grant of the minimum pension is, however, conditional on the completion of 30 contribution years, each corresponding to 240 contribution days.
France	Miners	No qualifying period. The grant of the minimum pension is, however, conditional on the completion of at least 15 years' mining work.
Netherlands	General	No qualifying period.
Netherlands	Miners	No qualifying period.

INCLUSION OF PERIODS OF SICKNESS, UNEMPLOYMENT, ETC., IN QUALIFYING PERIOD

Among the schemes for which a summary of the conditions governing the qualifying period has already been given, only the following make provision for the inclusion of periods of sickness, unemployment, etc., in the qualifying period.

Country	Scheme	Periods included
Chile	Workers	Periods of sickness and unemployment count towards the qualifying period.
Czechoslovakia	Workers	Periods of military service and those during which the insured person contributes to other systems of invalidity, old-age and survivors' insurance (miners, private employees, civil servants) are included in the qualifying period.
Czechoslovakia	Salaried employees	Ditto.
Czechoslovakia	Miners	Periods of military service and periods of sickness for which benefit is paid count towards the qualifying period; nevertheless, periods of sickness are taken into consideration only from the second month of benefit.

Country	Scheme	Periods included
France	General scheme	Periods of sickness are taken into account in calculating the qualifying period for minimum benefits. Periods of unemployment are taken into account only for insured persons of French nationality and only up to a maximum of 80 contribution days a year.
France	Miners	Periods of incapacity for work resulting from injury or sickness are taken into account in calculating the qualifying period for minimum benefits. If the periods of incapacity are caused by injury, they are taken into account up to the date of final diagnosis; if they are due to sickness, they are taken into account as long as the insured person is entitled to regular benefits from sickness insurance.
France	Workers in Alsace-Lorraine	Complete weeks during which the insured person has, in consequence of sickness, been temporarily incapacitated for work, are included in the qualifying period without payment of contributions.
Germany	Workers	Periods of sickness not exceeding one unbroken year count towards the qualifying period.
Great Britain and Northern Ireland	General scheme	Periods of sickness and unemployment count as periods in insurance, but not as contribution periods.
Hungary	General scheme	Periods of sickness count towards contribution periods, up to a maximum of 50 weeks for the whole qualifying period.
Hungary	Miners	Months of sickness count as contribution months, provided that each period of sickness does not exceed one unbroken year and that not more than one year's sickness is included for every two years in insurance.
Italy	General scheme	Periods of sickness without wages count as contribution periods provided they exceed 7 days and do not exceed 12 months.

Country	Scheme	Periods included
Luxemburg	Workers	Complete weeks of sickness count as contribution periods. If sickness lasts uninterruptedly for more than one year, the period in excess of one year is not taken into account.
U.S.S.R.	Chemical, electrical, glass, metal, mining, pottery, printing, textile and transport industries.	Periods of sickness and unemployment count towards the qualifying period.

§ 4. — Retention of Status of Insured Person

The maintenance of the status which the insured person acquires by the completion of the qualifying period depends in theory on the continuation, voluntary or otherwise, of the payment of contributions until the happening of the event insured against. An essential condition for the stability of the insurance scheme, namely, the payment of contributions on behalf of the insured persons during the whole of their active life, is thus guaranteed as far as possible in accordance with the basic conditions laid down when the scheme was established.

In practice, however, this principle is widely modified. In some cases insurance rights may be maintained in spite of interruptions in payments, in others they may be prolonged by the payment of a continuation fee or by affiliation to a voluntary insurance scheme, or, again, rights forfeited as a result of a cessation of payments may be recovered by the completion of a fresh qualifying period.

AUTOMATIC RETENTION

Maintenance in insurance during interruptions in contribution payments may either be extended to all interruptions whatever their cause or duration, or be limited in time but unaffected by the cause, or again be sanctioned only if the interruption is due to a specified cause as, for example, invalidity, sickness or unemployment.

Maintenance of rights irrespective of the cause or duration of the interruption in payment is somewhat infrequent, although the following countries admit it: *Belgium* (workers; salaried employees;

miners), *France* (general scheme) *Italy* (general scheme), the *Netherlands* (general scheme) and the *U.S.S.R.* (scheme for certain industries).

The *British* Contributory Pensions Act requires that the claimant shall have been insured uninterruptedly during the five years preceding the pensionable age and that he has to his credit an average of thirty-nine contributions paid up or deemed to be so for each of the three years preceding receipt of the pension, unless the claimant has been insured uninterruptedly from fifty to sixty years of age, when the latter condition is not imposed.

Moreover, during periods of sickness and unemployment, at least when unemployment does not last longer than a specified time or when it gives rise to insurance benefit, the worker's rights under old-age, invalidity and widows' and orphans' insurance are generally maintained without the payment of contributions. Generally the insured person is purely and simply exempted from the payment of contributions; in other cases the sickness or unemployment insurance schemes take over the payment of contributions, so that not only are the insured person's rights maintained but his pension continues to increase as if contributions had been paid in the normal way (*France*, general scheme).

Further, the status of insured person may be maintained after the cessation of contributions for a certain period, irrespective of the cause of the cessation and even after voluntary retirement from employment, and quite apart from any exemption which may also be granted in respect of sickness and unemployment. This extension is of marked importance in *Great Britain* and *Northern Ireland*, where it varies from eighteen months to two years. In *Austria* (salaried employees), *Germany* (workers) and *Poland* (workers in Upper Silesia) it is equal to one-quarter, and in *France* (workers and salaried employees in Alsace-Lorraine) to one-third of the period during which the insured person has paid contributions or is deemed to have done so.

CONTINUATION FEE AND AFFILIATION TO VOLUNTARY INSURANCE

Retention of the status of insured person by the payment of a continuation fee is admitted in *Czechoslovakia* (miners), *France* (salaried employees in Alsace-Lorraine), *Germany* (miners) *Hungary* (miners) and *Poland* (miners). In addition all general schemes and

the majority of the salaried employees' schemes, as for example in *Austria*, *Belgium*, *Czechoslovakia*, *Germany* and *Poland*, as well as the miners' scheme in *Germany*, enable persons ceasing to be liable to compulsory insurance to maintain and even augment their rights by continuing their insurance on a voluntary basis.

On the other hand, the occupational schemes in force in South America and the miners' schemes in *Belgium*, *France* and *Poland* make no such provision for continued insurance.

In *Czechoslovakia* (miners) an insured person who ceases to be liable to insurance before completing the qualifying period is allowed to continue to insure until he has completed it.

FRESH QUALIFYING PERIOD

Even when he fails to affiliate to voluntary insurance or to pay a continuation fee, the worker who has allowed his rights under compulsory insurance to lapse may still recover them by completing a fresh qualifying period. But when loss of status entails the loss of credit for previous contributions, as it does in schemes where benefits are wholly or mainly dependent on the amount of paid-up contributions, readmission to insurance is not sufficient in itself to re-establish the rights which have been allowed to lapse. If, however, the cancellation of rights acquired prior to loss of status were definitive, the cessation of an insurable occupation would entail an irreparable loss for the insured person, which could be avoided only by affiliation to voluntary or, to be more exact, continued insurance. A compulsorily insured person who lost his insurance status at fifty-five years of age after some forty contribution years would definitively lose all his acquired rights, unless he voluntarily continued his insurance, for, even if he completed a fresh qualifying period in an insurable occupation, only the contributions paid during the latter period would be taken into account in computing his pension.

In order to avoid consequences of this sort, national systems of legislation under which loss of insurance status annuls all previous contributions generally stipulate that the insured person may be re-credited with his previous contributions on completion of a fresh qualifying period. Such is the case in *Czechoslovakia*, *France* (workers and salaried employees in Alsace-Lorraine), *Germany* (workers; salaried employees; miners), *Luxemburg* (workers; salaried employees) and *Poland* (intellectual workers; workers in Western Provinces and Upper Silesia). The workers'

scheme of *Czechoslovakia* credits the insured person with his previous contributions only if the interruption has not lasted for more than ten years, a period of fifteen years being sanctioned under the intellectual workers' scheme in *Poland*.

§ 5. — Computation of Old-Age Pensions

COMPONENTS OF OLD-AGE PENSIONS

If the object of insurance is to provide the worker with a standard of living comparable to that enjoyed by him prior to the happening of the event insured against, the legislator must vary the rates of benefit in accordance with the loss of earnings. If, on the other hand, it is proposed merely to satisfy essential needs, he must set up a system of flat-rate benefits, irrespective of the wages earned by the worker prior to his claim.

Now there is this peculiarity with regard to the old-age risk: when a person becomes insured under normal conditions, that is, at the outset of his occupational career, he insures against a distant risk which, if it matures, cannot take him by surprise, since the date is fixed in advance.

Old-age insurance is thus somewhat in the nature of a savings scheme, in that the worker has the whole of his active life in which to prepare for the event.

The object of covering this risk by compulsory insurance is simply to force the worker, his employer or a public authority to pay sums which will ultimately entitle the insured person to claim a pension commensurate to some extent at least with the length of his service and the total contributions paid.

Thus, quite apart from any relationship between the insured person's wages and the guaranteed benefits, the amount of the latter may be affected by the extent to which the length of the contribution period is taken into account.

The individual or combined effect of these two factors—wages and contribution period—may bear on only a certain part of the pension, since the latter may comprise a fixed sum, acquired on completion of the qualifying period and a fraction varying with wages and the length of the contribution period.

The pension may also include bonuses for family responsibilities.

Influence of Wages

The influence of wages varies according as pension rates are based on the final wage earned or on the average wage during the period covered by insurance.

The great drawback in basing pensions on the final wage lies in the fact that the final wage may, on account of the age of the insured person or for other reasons, be very different from the average earnings on which contributions were paid. Hence the legislation of *Austria* (salaried employees), which has adopted this method, provides that the pension acquired by insured persons over 45 years of age must, if this is more favourable to the beneficiary, consist of two parts, the one in proportion to the time passed in insurance before forty-five years of age and to the wage earned at that age, the other assessed on the period passed in insurance after forty-five years of age and the final wage.

Whatever method is employed in fixing the basic wage, the part played by the wage in the calculation of the pension is affected by the fact that account may be taken of actual individual earnings, individual earnings within certain fixed limits, or an assumed rate of earnings depending on the distribution of the insured persons in wage classes.

The fixing of a maximum basic wage (earnings on which benefit may be calculated) sometimes has a considerable effect on the importance of the wage factor in the assessment of pensions.

When the higher limit of the basic wage—a limit fixed by law expressly or as the result of the distribution of insured persons in wage classes—is approximately the same as that earned by an unskilled worker, a large part of the insured persons are grouped in the highest wage class or at the higher limit of the insurable wage. In such cases under-insurance takes place, with the result that the very low maximum basic wage has the same effect for a section of the insured persons as a flat-rate pension.

Influence of Contribution Period

The influence of the length of the contribution period varies according as, on the one hand, the value attached to each contribution unit is constant and unaffected by the interval between the payment of such units and the date when the risk matures, or, on the other hand, this value changes with the length of time during which it may bear interest at the coefficient of accumulation chosen. For example, at the 5 per cent. rate allowed by the French

Pensions Insurance Fund, the pension produced at sixty years by a given contribution is five times greater when the contribution is paid between twenty and twenty-one years than when it is paid between forty-nine and fifty years of age. In the Swedish national scheme the ratio of the benefit acquired by payment of contributions at the same ages is a little lower, being roughly 1 : 3.

METHODS OF COMPUTING OLD-AGE PENSIONS IN DIFFERENT COUNTRIES

The factors affecting the amount of the pension may be combined in different ways, thus giving rise to numerous systems for the assessment of the pension.

(1) *Schemes in which the Pension does not Depend on Wages or on the Contribution Period*

Great Britain and Northern Ireland (general scheme), *Greece* (tobacco workers), *Rumania* (general scheme in former Kingdom), and *Switzerland* (national scheme).

Great Britain and Northern Ireland (general scheme). — £26 a year.

Greece (tobacco workers). — Men: 5,400 drachmas a year; women: 4,500 drachmas.

Rumania (general scheme in former Kingdom). — 6,000 lei a year.

Switzerland (national scheme). — Guaranteed minimum: 200 francs a year. To this amount are added allowances reserved exclusively for Swiss nationals and graded in accordance with the income and means of the beneficiaries. These allowances may in no case exceed twice the amount of the guaranteed minimum pension.

(2) *Schemes in which the Pension does not Depend on Wages but Varies with the Length of the Contribution Period*

Czechoslovakia (miners) and the *Netherlands* (miners).

Czechoslovakia (miners). — The pension comprises: (1) an annual basic amount equal to 900 Kc. acquired after a five years' qualifying period; (2) an annual increment of 8 Kc. for each contribution month.

Netherlands (miners). — Each contribution month entitles the insured person to an annual pension of 0.95 florins.

(3) *Scheme in which the Pension does not Depend on Wages but Varies with the Accumulated Value of Contributions*

Spain. — The pension amounts to 365 pesetas a year for persons who insure before forty-five years of age and who work uninterruptedly until sixty-five years of age. Persons affiliated after forty-five years of age receive the accumulated amount of the payments standing to their personal account.

(4) *Scheme in which the Pension Consists of a Fixed Sum and a Fraction Varying with the Final Wage*

Austria (workers). — The annual pension comprises two parts:

- (1) A State subsidy of 72 sch. a year;
- (2) 120 times the basic daily wage earned during the last 104 weeks; this part of the pension may not be less than 144 sch. nor more than 1,008 sch. a year.

(5) *Schemes in which the Pension Varies Solely with the Final Wage*

Uruguay (staffs of public utility undertakings) and the *U.S.S.R.* (scheme for certain industries).

Uruguay (staffs of undertakings of public utility). — The pension due in case of voluntary departure after thirty years' service, or in case of dismissal after ten years' service for reasons not reflecting on the moral character of the insured person, is fixed at a percentage of the average wage for the last five years, which varies with the amount of the wages earned as follows:

Limits of wage classes (pesos per month)	Amount of pension (pesos per month)
Up to 50	Full wage
50-60	50.00 + 0.95 per peso
60-80	59.50 + 0.90 "
80-100	77.50 + 0.85 "
100-125	94.50 + 0.80 "
125-150	114.50 + 0.75 "
150-175	135.25 + 0.70 "
175-200	150.75 + 0.65 "
200-225	167.00 + 0.60 "
225-250	182.00 + 0.55 "
250-275	195.75 + 0.50 "
275-300	208.25 + 0.45 "
300-325	219.50 + 0.40 "
325-350	229.50 + 0.35 "
350-375	238.25 + 0.30 "
375-400	245.75 + 0.25 "
400-425	252.00 + 0.20 "
425-450	257.00 + 0.15 "
Over 450	260.75 + 0.10 "

All pensions under 100 pesos are subject to a deduction of 4 per cent. of the total (*sic*).

U.S.S.R. (scheme for certain industries). — The pension is equal to 50 per cent. of the monthly wage earned during the last 12 months. It may not be less than 240 roubles nor more than 1,350 roubles a year.

(6) *Schemes in which the Pension Varies with Wages and the Length of the Contribution Period*

The various combinations of pensions components may be classified according as they provide for a fixed sum or a fixed percentage of wages (the right to which is acquired after the

completion of a qualifying period) plus a fraction in proportion to the contributions; or a pension based on the final wage and the length of the contribution period; or, again, a pension based on the accumulation at compound interest of the contributions paid.

Schemes providing pensions varying with wages and the length of the contribution period may therefore be divided into four groups, as follows.

First Group

Schemes in which the pension consists of a fixed sum and a fraction varying with the amount of contributions paid:

Czechoslovakia (workers; salaried employees; miners), *France* (workers in Alsace-Lorraine), *Germany* (workers; salaried employees; miners), *Hungary* (workers and salaried employees under general scheme), *Italy* (general scheme), *Luxemburg* (workers; salaried employees), and *Poland* (workers in Western Provinces; workers in Upper Silesia).

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)	
Czechoslovakia Workers	State subsidy: 500 Kc. Basic amount: 550 Kc. Total of fixed: fraction: 1,050 Kc.	The increment varying with contributions paid is as follows.	
		Monthly wage Kc.	Annual increment for each weekly contribution Kc.
		250 and under	0.60
		250-350	0.85
		350-500	1.15
		550-712.50	1.40
		712.50 and over	1.75
Salaried employees	Basic amount: 3,600 Kc.	The increment varying with contributions paid is as follows.	
		Annual wage Kc.	Annual increment for each monthly contribution Kc.
		3,000 and under	2
		3,001- 6,000	6
		6,001- 9,000	10
		9,001-12,000	15
		12,001-15,000	20
		15,001-18,000	25
		18,001-24,000	30
		24,001-30,000	35
		30,001-36,000	40
		36,001-42,000	45
		42,001 and over	50

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)																				
France Workers in Alsace-Lorraine	State subsidy: 400 frs. The supplementary allowance is merely a transitional measure.	<p>The fraction of the pension proportional to contributions paid consists of:</p> <p>(1) A basic amount varying with the wage class and always corresponding to 500 contribution weeks. If 500 contribution weeks have not been paid the missing weeks are counted in the lowest wage class; if the number of paid-up weekly contributions exceeds 500, the surplus lower contributions are not taken into account. That fraction of the basic amount corresponding to each contribution week after 2 Feb. 1931 is fixed as follows. When the insured person has contributed on a wage of:</p> <table><tr><td>12,000 frs. and over</td><td>1.86 frs.</td></tr><tr><td>9,000-12,000 frs.</td><td>1.72 "</td></tr><tr><td>6,000- 9,000 "</td><td>1.58 "</td></tr><tr><td>3,600- 6,000 "</td><td>1.44 "</td></tr><tr><td>3,600 frs. and under</td><td>1.34 "</td></tr></table> <p>(2) An increment varying with the number of paid-up contributions. This increment is fixed as follows for contributions paid after 2 Feb. 1931: for each weekly contribution paid on a wage of:</p> <table><tr><td>12,000 frs. and over</td><td>1.28 frs.</td></tr><tr><td>9,000-12,000 frs.</td><td>1.00 "</td></tr><tr><td>6,000- 9,000 "</td><td>0.72 "</td></tr><tr><td>3,600- 6,000 "</td><td>0.46 "</td></tr><tr><td>3,600 frs. and under</td><td>0.24 "</td></tr></table>	12,000 frs. and over	1.86 frs.	9,000-12,000 frs.	1.72 "	6,000- 9,000 "	1.58 "	3,600- 6,000 "	1.44 "	3,600 frs. and under	1.34 "	12,000 frs. and over	1.28 frs.	9,000-12,000 frs.	1.00 "	6,000- 9,000 "	0.72 "	3,600- 6,000 "	0.46 "	3,600 frs. and under	0.24 "
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3,600- 6,000 "	0.46 "																					
3,600 frs. and under	0.24 "																					
Germany Workers	State subsidy: 72 RM. Basic amount: 168 RM. Total of fixed fraction: 240 RM.	20 per cent. of contributions paid after 1 Jan. 1924.																				
Salaried employees	Basic amount: 480 RM.	15 per cent. of contributions paid after 1 Jan. 1924.																				
Miners (workers)	Basic amount: 168 RM.	$\frac{1}{2}$ per cent. of basic monthly wage for each of first 60 paid-up monthly contributions; 1 per cent. for each of next 60; 1.85 per cent. for each of next 180; $\frac{1}{2}$ per cent. for each subsequent month.																				

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)
Miners (salaried employees)	Basic amount: 480 RM.	Ditto.
Hungary Workers	120 pengö	24 per cent. of contributions paid.
Salaried employees	120 pengö	19 per cent of contributions paid.
Italy General scheme	State subsidy: 100 lire	<p>The fraction of the pension varying with contributions paid comprises:</p> <p>(1) A basic amount equal to 5 times the average compulsory annual contribution during the whole period of insurance;</p> <p>(2) An increment equal to $\frac{2}{30}$ of the total amount of all contributions paid under compulsory insurance.</p>
Luxemburg Workers	<p>Basic amount corresponding to:</p> <p>1. An annual wage of 500 frs.;</p> <p>2. 1,350 working days: 360 frs.</p>	<p>The fraction of the pension varying with contributions and the contribution period comprises:</p> <p>(1) An increment fixed at 1.20 frs. for that part of the average wage during insurance between 500 and 600 frs., and at 10, 2.40, 3.00, etc., frs. each for the first, second, third, etc., 100 frs. in excess of 600;</p> <p>(2) An increment of 0.16 frs. for every 6 days in excess of 1,350 working days.</p>
Salaried employees	<p>Basic amount: 3,600 frs. a year. This amount is increased by an annual supplement paid by the State to pensioners whose income does not exceed 15,000 frs. This supplement amounts to 500 frs. for pensions not exceeding 5,000 frs., and to 250 frs. for those between 5,000 and 8,000 frs.</p>	14 per cent. of the contributions paid into the insured person's account.

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)														
Poland Workers in Western Provinces	State subsidy: 50 zloty	<p>The fraction of the pension varying with contributions paid consists of:</p> <p>0.05 zl. a year for each weekly contribution on a wage of less than 500 zl. a year;</p> <p>0.0917 zl. a year for each weekly contribution in the wage class 500-700 zl. a year;</p> <p>0.117 zl. a year for each weekly contribution in the wage class 700-900 zl. a year;</p> <p>0.150 zl. a year for each weekly contribution in the wage class 900-1,200 zl. a year;</p> <p>0.183 zl. a year for each weekly contribution on a wage of over 1,200 zl. a year.</p> <p>No account is taken of contribution weeks after the 1,200th. If more than 1,200 weekly contributions have been paid, no account is taken of those completed in the lower wage classes.</p>														
Workers in Upper Silesia	State subsidy: 100 zl. Basic amount: 160 zl. Supplement of 10 per cent. = 26 zl. Total of fixed fraction: 286 zl.	<p>The increment varying with contributions paid is as follows:</p> <table><tr><th>Annual wage zl.</th><th>Annual allowance for each contribution week zl.</th></tr><tr><td>660 and under</td><td>0.055</td></tr><tr><td>661- 960</td><td>0.11</td></tr><tr><td>961-1,320</td><td>0.143</td></tr><tr><td>1,321-1,620</td><td>0.187</td></tr><tr><td>1,621-1,980</td><td>0.22</td></tr><tr><td>1,981 and over</td><td>0.264</td></tr></table>	Annual wage zl.	Annual allowance for each contribution week zl.	660 and under	0.055	661- 960	0.11	961-1,320	0.143	1,321-1,620	0.187	1,621-1,980	0.22	1,981 and over	0.264
Annual wage zl.	Annual allowance for each contribution week zl.															
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961-1,320	0.143															
1,321-1,620	0.187															
1,621-1,980	0.22															
1,981 and over	0.264															

Second Group

Schemes in which the pension consists of a fraction varying with wages, but not dependent on the contribution period, and a fraction varying with wages and the length of the contribution period:

Austria (salaried employees), *France* (salaried employees in Alsace-Lorraine), the *Netherlands* (general scheme), *Poland* (intellectual workers), *Rumania* (miners in Ardeal) and *Yugoslavia* (miners).

Austria (salaried employees). — The annual pension comprises:

- (1) 35/100 of the average wage during the last three years.
- (2) 1/1200 of this average wage for each monthly contribution standing to the credit of the insured person before reaching the pensionable age, i.e. 1 per cent. of the wage for each contribution year.

The minimum basic wage is fixed at 80 sch. a month and the maximum at 400 sch. (800 sch. when the insured person is employed in a publishing undertaking, a pharmacy or an agricultural or forestry undertaking). The pension of an insured person over the age of 45 will be reckoned on his basic wage as at that age when this is more favourable to him.

France (salaried employees in Alsace-Lorraine). — The pension is equal to one-quarter of the first 120 monthly contributions, plus $\frac{1}{6}$ of the next 120 contributions, plus $\frac{1}{8}$ of the remainder. In the case of an insured person who has contributed for at least 60 but less than 120 months, the pension amounts to one-quarter of the contributions paid during the first 60 contribution months¹.

Netherlands (general scheme). — The pension consists of:

- (1) A basic amount equal to 260 times the average weekly contribution paid during insurance;
- (2) An increment fixed at 11.2 per cent. of the total contributions paid, but not less than $\frac{1}{6}$ of the basic amount.

Poland (intellectual workers). — The pension consists of:

- (1) A basic amount equal to 40 per cent. of the average basic salary during insurance;
- (2) An increment equal to $\frac{1}{6}$ per cent. of the average salary for each contribution month between the 120th and the 480th.

In each of the 14 wage classes the basic wage corresponds to the lower limit of the class. Insured persons earning less than 60 zl. a month are deemed nevertheless to earn that amount, and placed in the lowest class, while all those earning 720 zl. or more are placed in the highest class.

Rumania (miners in Ardeal). — As insured persons are classified in three occupational groups according to the nature of their work, the pension consists of:

- (1) A basic amount varying with each group;
- (2) An increment varying with each fund but proportional to the contributions paid after the eighth year.

In some funds the total pension is as much as 35,200 lei a year.

Yugoslavia (miners). — The annual pension consists of:

- (1) A basic amount equal to 20 per cent. of the average basic wage during the last five years;
- (2) An increment equal to 2.40 per cent. of the same average wage for each year of insurance.

Third Group

Scheme in which the pension consists of a fraction varying with wages, but not dependent on the contribution period, and a fraction not dependent on wages but varying with the length of the contribution period.

¹ The fraction of the pension dependent on the first 120 (or on the first 60) monthly contributions may be considered as independent of the length of the contribution period, since these contributions correspond to the qualifying period for a pension. At present the pension includes a temporary allowance of 720 francs a year, the permanent incorporation of which in the pension is contemplated.

Bulgaria (general scheme). — The pension comprises:

(1) A basic amount varying with wages as follows:

Average daily wage leva	Basic annual amount leva
15 and under	1,500
16-30	2,400
31-45	3,000
46-60	4,800
61 and over	6,000

(2) An increment fixed at 1 leva for each contribution week after the 156th week.

Fourth Group

Schemes in which the pension varies with the final wage and the length of the contribution period:

Argentina (staffs of private undertakings of public utility; bank staffs), *Brazil* (railway and harbour workers), *Cuba* (seamen and harbour workers), *Ecuador* (bank staffs), and *Uruguay* (bank and exchange staffs).

Argentina (staffs of private undertakings of public utility). — (a) Normal pension acquired at 50 years of age after 30 years' service. The normal old-age pension is based on the average wage during the last 5 years and is fixed as follows:

Per cent. of wage	Annual wage (pesos)
95	1,200 and under
80	fraction between 1,201 and 3,600
70	„ „ 3,601 „ 12,000

(b) Reduced pension in case of voluntary departure at 50 years of age but before 30 years' service: 2 per cent. of the normal pension for each year of service.

(c) Indemnities payable in case of voluntary departure or dismissal for a cause other than invalidity:

- (1) For all insured persons whatever their length of service: an indemnity equal to the capital produced by the investment at compound interest of 5 per cent. of the wages on which contributions were paid;
- (2) For insured persons with between 10 and 20 years' service: a month's wages for each year of service;
- (3) For insured persons with between 20 and 30 years' service: 2 per cent. of the normal pension for each year of service.

Argentina (bank staffs). — (a) Normal pension acquired at 50 years of age after 30 years' service. The normal old-age pension is based on the average wage during the last five years and is fixed as follows:

Per cent. of wage	Annual wage (pesos)
75	6,000 and under
70	fraction between 6,001 and 12,000
65	„ „ 12,000 „ 18,000

(b) Exceptional pension acquired after 50 years of age and more than 30 years' service: additional pension equal to $1\frac{1}{2}$ per cent. of the normal pension for each extra year of service, provided that the total pension does not exceed 90 per cent. of the average wage during the last five years.

(c) Reduced pension in case of voluntary departure after 20 years' service: 2 per cent. of the normal pension for each year of service, irrespective of the age at departure.

(d) Indemnity in case of dismissal. If the insured person has completed more than 5 and less than 15 years' service: refund of contributions without interest.

If the insured person has completed more than 15 years' service: 2 per cent. of the normal pension for each year of service provided dismissal is not due to some fault of the insured person.

Brazil (railway and harbour workers). — (a) Normal pension acquired after 30 years' service. The normal old-age pension is based on the average wage during the last 3 years and is fixed as follows:

Per cent. of wage	Annual wage (milreis)
100	1,800 and under
90	fraction between 1,801 and 3,600
70	„ „ 3,601 „ 7,200
65	„ „ 7,201 „ 12,000
55	„ over 12,000

The pension may in no case exceed 3,000 milreis a month.

(b) Reduced pension in case of departure, voluntary or otherwise, after 30 years' service: $\frac{1}{30}$ of the normal pension for each year of service.

Cuba (seamen and harbour workers). — (a) Normal pension acquired irrespective of age after 25 or 30 years' service, or at 50 years after 20 or 25 years' service, according as the beneficiary is a worker or salaried employee. The normal old-age pension is based on the average wage during the last 2 years and is fixed as follows:

Per cent. of wage	Annual wage (pesos)
65	1,200 and under
60	fraction between 1,201 and 2,400
55	„ „ 2,401 „ 6,000

Since the pension cannot in any case exceed 150 pesos a month, no account is taken of wages in excess of 245.5 pesos a month.

(b) Pension in case of voluntary retirement at 60 years (salaried employees or 50 years (workers): 3 per cent. of the normal pension for each year of service.

(c) Pension in case of dismissal: 2 per cent. of the normal pension for each year of service irrespective of the beneficiary's age.

Uruguay (bank and exchange staffs). — The pension is equal to $\frac{1}{30}$ of the final annual wage for each year of service, but may not exceed the average wage during the last five years nor 4,800 pesos a year. If the pension would exceed 960 pesos a year it is reduced by 15 per cent.

Fifth Group

Schemes in which the pension varies with the accumulated value of contributions:

Belgium (workers; salaried employees; miners), *Chile* (workers), *France* (general scheme; miners), *Sweden* (national scheme).

Belgium (workers). — The pension (a maximum of 50 per cent. of which reverts to the widow) is formed:

(a) By the accumulation in a personal account of the contributions of the insured person and his employer. The amount of these joint contributions varies from 5 to 25 francs a month according to the wage class to which the insured person belongs;

- (b) By a State subsidy which increases by 50 per cent. the pension acquired by the accumulation in the personal account, but is subject to a maximum of 1,200 francs a year.

Belgium (salaried employees). — The pension (a maximum of 50 per cent. of which reverts to the widow) is formed:

- (a) By the accumulation in a personal account of the contributions of the insured person and his employer, namely:

For the employee: 3 per cent. of his remuneration,

For the employer: 4 per cent. of this remuneration until 1960

4 $\frac{1}{3}$ per cent. of this remuneration from 1961 to 1975

4 $\frac{2}{3}$ per cent. of this remuneration from 1976 to 1990

5 per cent. of this remuneration as from 1 Jan. 1991;

- (b) By a State subsidy which increases by 50 per cent. the pension acquired by the accumulation in the personal account, but is subject to a maximum of 1,200 francs a year.

Belgium (miners). — The benefits comprise:

- (a) A pension (a maximum of 50 per cent. of which reverts to the widow) is formed:

- (1) By the accumulation in a personal account of the contributions paid into the General Savings and Old-Age Pensions Fund, namely:

	Frs. a year	Frs. a year
For a wage under 4,800		25
" " " of 4,801 to 7,200		50
" " " " 7,201 to 9,600		75
" " " " 9,601 to 12,000		100
" " " " 12,001 to 14,400		125
" " " " 14,401 to 16,800		150
" " " over 16,800		175

- (2) By a supplement of 188 per cent. payable by the National Miners' Solidarity Fund;

- (3) By a State subsidy equal in principle to 50 per cent. of the total pension acquired with the General Savings and Old-Age Pensions Fund and the amount granted by the National Fund, but which in no case may exceed 1,200 francs a year. This subsidy is increased by one-third in the case of underground workers pensioned off at 55 years of age;

- (b) The provision at the expense of the National Fund of 3,400 kg. of coal a year.

Chile (workers). — The pension is formed by the accumulation in a personal account of the contributions paid by the insured person, namely 2 per cent. of wages.

France (general scheme). — The old-age pension is in principle formed by the accumulation, under the alienated capital system or the repayable capital system at the choice of the insured person, of the part of the contribution entered in his account. This part is fixed as follows:

Insured persons of less than 30 years of age: 2 per cent of basic wage.

Insured persons of 30 years of age and over: 3.60 per cent. of basic wage.

Any insured person who is able to establish at the age of 60 years, or thereafter until the age of 65 years, that he has to his credit at least 30 complete years of contributions, each corresponding to a minimum of 240 working days, is entitled to an old-age pension which must not be less than 40 per cent. of his average annual basic wages ascertained from the compulsory contributions paid each year from the age of 16 years. If he is unable to establish the required minimum of contributions, he is only entitled to the annuity resulting from the accumulation of amounts paid into his personal account.

France (miners). — The pension (50 per cent. of which reverts to the widow) is formed:

- (a) By the accumulation in a personal account of a part of the contributions of the insured person and his employer, namely:

For insured persons under 30 years of age: 2.5 per cent. of wages.
For insured persons of 30 years of age and over: 4 per cent.

- (b) By a supplement payable by a solidarity fund, which may be claimed only by workers who have completed at least 15 years' work in the mines. This supplement increases the annual pension to a sum varying between 1,500 and 5,000 francs, according as the insured person has completed from 15 to 30 years' service.

When at 55 years the insured person has completed more than 30 years of mining work his pension increases by 60 francs for each year of service after the thirtieth year.

Sweden (general scheme). — The pension is equal to a percentage of the contributions paid which varies with the sex of the insured person and the age at which the contributions were made. This percentage is fixed as follows:

Men (Per cent)	Women (Per cent)					Years
70	56	of contributions paid between				16 and 19
60	48	„	„	„	„	20 and 24
50	40	„	„	„	„	25 and 29
40	32	„	„	„	„	30 and 34
30	24	„	„	„	„	35 and 44
20	16	„	„	„	„	45 and 54
15	12	„	„	„	„	55 and 66

BONUSES FOR WIVES AND CHILDREN

The object of granting special bonuses to insured persons with family responsibilities is as a rule to enable them to meet the cost incurred for keeping dependants for whose maintenance they assumed responsibility before reaching the pensionable age. In *France* (general scheme), however, the aim of these bonuses is somewhat different, since they are granted irrespective of the actual family responsibilities at the date when the pension falls due, the only condition being that the insured person shall have maintained at least three children up to the age of 16 years. The increase in the amount of the pension is thus meant to compensate in part for the expenditure on such children, and the effect of such expenditure on the possibility of setting aside a part of the wages earned with a view to old age.

This distinction having been made with regard to the object of family bonuses, it remains to be seen for what classes of persons such bonuses are granted and the methods of assessment employed.

Persons in respect of whom Bonuses are Granted

(1) Bonuses for children dependent on the beneficiary on reaching pensionable age:

Austria (salaried employees), *Czechoslovakia* (workers; salaried employees; miners), *France* (miners; workers and salaried employees in Alsace-Lorraine), *Germany* (workers; salaried employees; miners), *Hungary* (workers and salaried employees, under general scheme), *Italy* (general scheme), *Luxemburg* (salaried employees) and *Poland* (workers in Western Provinces; intellectual workers; miners in Upper Silesia).

(2) Bonuses for persons other than dependent children:

Belgium (miners). — An additional pension is granted to married beneficiaries from the first of the month following that during which their wives reach the age of 65 years.

France (general scheme). — A bonus is granted to all insured persons who have maintained three children up to the age of 16 years, irrespective of whether the children are still dependent on the beneficiary on reaching pensionable age.

Great Britain and *Northern Ireland* (general scheme). — An allowance equal to the old-age pension is granted to the beneficiary's wife when she reaches the age of 65 years.

Computation of Bonuses

(1) Bonuses independent of the pension rate.

Austria (salaried employees), *Belgium* (miners), *France* (miners), *Germany* (workers; salaried employees; miners), *Great Britain* and *Northern Ireland* (general scheme) and *Luxemburg* (salaried employees).

Country	Scheme	Bonus granted
Austria	Salaried employees	6 per cent. of the average wage during the last three years, with a minimum of 90 sch. and a maximum of 180 sch. a year for each child under 18 years of age. The bonus is paid up to a maximum age of 24 years when the child continues its education or is incapable of supporting itself owing to infirmity.
Belgium	Miners	1,080 frs. a year when the wife of the pensioner reaches 65 years of age.

Country	Scheme	Bonus granted
France	Miners	360 frs. a year for each child under 12 years of age. The bonus is paid until the fourteenth year if the child continues to attend school.
Germany	Workers	120 RM. for each child under 15 years of age. If on reaching this age the child continues its studies or begins a vocational training course the bonus is paid up to a maximum age of 21 years. If the child is incapable of supporting itself owing to infirmity, the bonus is paid as long as incapacity lasts.
	Salaried employees	Ditto
	Miners (workers and salaried employees)	120 RM. a year, subject to the above-mentioned conditions as regards award and continuation of bonus.
Great Britain and Northern Ireland		£26 a year for the pensioner's wife when she reaches 65 years of age.
Luxemburg	Salaried employees	1,200 frs. a year for each child under 18 years of age. The bonus is paid up to a maximum age of 23 years when the child is prevented by vocational or other studies from earning its living before that age; it is continued indefinitely when the child is incapable of supporting itself owing to a mental or physical infirmity.

(2) Bonuses consisting of a percentage of the pension:

Austria (workers), *Czechoslovakia* (workers; salaried employees), *France* (general scheme; workers in Alsace-Lorraine), *Hungary* (workers and salaried employees under general scheme), *Italy* (general scheme) and *Poland* (workers in Western Provinces; intellectual workers).

Austria (workers). — 10 per cent. of the pension for the first child, 5 per cent. for each child after the first, plus 1 sch. a month, irrespective of the number of dependent children. The bonus is paid up to 16 years (18 years when the child is incapable of supporting itself owing to an infirmity or because it is following a course of vocational or other studies).

Czechoslovakia (workers). — 10 per cent. of the pension for each child under 17 years of age.

Czechoslovakia (salaried employees). — $\frac{1}{8}$ of the pension for each child under 18 years of age. The bonus may be paid up to a maximum of 24 years when the child is incapable of supporting itself owing to an infirmity or because it is following a course of vocational or other studies.

France (general scheme). — 10 per cent. of the pension to insured persons who have maintained three children up to the age of 16, irrespective of their actual situation on reaching pensionable age.

France (workers in Alsace-Lorraine). — 10 per cent. of the pension for each child under 15 years of age.

Hungary (workers and salaried employees under general scheme). — 5 per cent. of the pension for each child under 15 years of age in the case of a worker or 18 years of age in the case of a salaried employee. When the children of insured workers are incapable of supporting themselves as a result of continuing their studies, the allowance may be granted up to a maximum age of 17 years.

Italy (general scheme). — 10 per cent. of the pension for each child under 18 years of age.

Poland (intellectual workers). — 10 per cent. of the pension for each child under 18 years of age, provided that the total amount of the pension acquired does not exceed the basic salary. The allowance is continued up to a maximum age of 24 years when the child continues its studies, and indefinitely when it is incapable of supporting itself owing to infirmity.

Poland (workers in Upper Silesia). — 10 per cent. of the pension for each child under 18 years of age, provided that the total bonuses for children do not exceed 150 per cent. of the basic wage.

Poland (workers in Western Provinces). — 10 per cent. of the pension for each child under 15 years of age, provided the total bonuses for children do not exceed one-half of the basic pension.

§ 6. — Forfeiture, Suspension and Lapse of Pensions Rights

The forfeiture, suspension or lapse of old-age pensions rights may originate from the prohibition of the simultaneous payment of benefits guaranteed under one or several insurance schemes, or from the fact that the claimant is being maintained at the public expense, or again from failure to comply with nationality or residence conditions laid down by the country responsible for the payment of benefit¹.

PROHIBITION OF COINCIDENT RIGHTS

The total or partial suspension of benefits by the prohibition of coincident rights maturing from the simultaneous happening

¹ Forfeiture and suspension of benefit resulting from failure to comply with national or residence conditions are discussed in Parts VII and VIII of this volume.

of several events covered by the same insurance scheme, or of a single event covered by several schemes, is intended to prevent the granting of benefits which, taken together, would exceed the extent of the loss which social insurance aims at compensating. Apart from some exceptional situations, which are nevertheless met with in practice, the prohibitions of coincident benefits in the different countries may be classified as follows.

The insurance schemes in force in *Luxemburg* (workers) and the *U.S.S.R.* stipulate that when the beneficiary is entitled to claim compensation from several social insurance institutions only the highest benefit is payable.

In the *Netherlands* (general scheme) benefits granted under one of the risks covered may not be paid simultaneously with those payable in connection with another risk also covered by the same insurance scheme, e.g. the payment of an old-age pension may not coincide with the payment of an invalidity pension. But benefits due under the general invalidity and old-age insurance scheme may be granted concurrently with benefits due as a result of an industrial accident.

The *Czechoslovak* and *German* laws only partially prohibit the coincident payment of the benefits they provide and benefits due from other social insurance schemes.

In *Czechoslovakia* the simultaneous payment of benefits acquired under the invalidity, old-age and survivors' insurance scheme and benefits from other social insurance schemes is permitted only if the total of the sums granted does not exceed the average wage earned by the beneficiary during the 100 weeks preceding the award of the pension. When the amount of the benefits acquired under the various social insurance schemes (invalidity, old-age and survivors' insurance of workers, salaried employees and miners and accident insurance) exceeds the said wage, the reduction required to bring the total benefits within the legal limit affects all elements of the old-age pension, which undergo the same percentage of reduction.

In *Germany* the miners' scheme embodies similar provisions. The workers' and salaried employees' schemes, while partially prohibiting coincident benefits, adopt a somewhat different method of suspension and stipulate that when the insured person is entitled to several pensions as the result of the happening of several events, such as old age or the death of the family breadwinner, the highest pension is granted, together with half that ~~fraction~~ of the other pension which varies with the amount of

contributions paid. Further, when old-age insurance benefits are payable concurrently with an invalidity pension, these benefits are, where necessary, reduced so that the total benefits do not exceed the normal wage of a worker belonging to the same occupational group as the insured person. Children's bonuses are reduced by an amount equal to any analogous benefit granted in cases of industrial accidents.

MAINTENANCE OF BENEFICIARY AT PUBLIC EXPENSE

As a general rule benefits are suspended when the insured person is maintained at public expense, as in such cases the insured person is not required to support himself. Nevertheless, in some cases a part of the benefits continues to be paid to the persons dependent on the insured person. The method adopted in this connection by the *German* workers' scheme, under which benefits due to the insured person may, when he is undergoing hospital treatment, for example, be paid to the persons dependent on him, is met with also in *British* and *Czechoslovak* legislation.

CHAPTER II

INVALIDITY PENSIONS

§ 1. — Risk Covered

CONCEPTIONS OF INVALIDITY

There are three ways of defining the invalidity risk covered by insurance. The first way is to define it in terms of the physical inability to carry on one's previous occupation or the difference in output in that occupation before and after the appearance of the infirmity (occupational incapacity). The second way is to define it in terms of the possibility of finding fresh employment for the invalid on the labour market (general incapacity). The third way is to define it in terms of the degree of bodily infirmity (physical incapacity).

In fact all social insurance schemes base their legal definition of invalidity either on occupational incapacity or on general incapacity for work.

Occupational Incapacity

Occupational incapacity, which is the inability to carry on any given occupation, may in theory be comparatively easily determined by studying experimentally the part played by the various functions or organs of the human body in a given trade or occupation.

This conception of incapacity does not take into account the possibility of rehabilitation and of finding fresh employment for the incapacitated worker in some occupation or trade other than that in which he was engaged previously to his invalidity. All that is considered is the result of his infirmities in his previous occupation.

Occupational incapacity is taken as the criterion of the loss suffered by the worker in the great majority of schemes covering

persons employed in a particular occupation or occupations of a particular type, as is shown in the following list:

Austria (salaried employees); *Belgium* (miners); *Brazil* (railway and harbour workers); *Cuba* (seamen and harbour workers); *Czechoslovakia* (salaried employees; miners); *France* (salaried employees in Alsace-Lorraine); *Germany* (salaried employees; miners); *Hungary* (salaried employees under general scheme); *Luxemburg* (salaried employees); *Netherlands* (miners); *Poland* (miners in Southern Provinces and Upper Silesia; intellectual workers).

Occupational incapacity is also the criterion applied in the *British* and *Irish* general schemes until it becomes clear that there is no reasonable prospect of the patient again becoming able to resume his former work.

General Incapacity for Work

The definition of the risk in terms of general incapacity to earn a livelihood is based on the principle that the invalid, when not completely helpless or suffering from some serious disease, should take any opportunities at his disposal of finding fresh employment and making use of his remaining working capacity. The results of injuries are, therefore, not estimated from the point of view of one occupation, but from the point of view of the reasonable opportunities for work offered by the labour market, taking into account the nature and gravity of the worker's infirmities, his previous occupation, his age, and any other factors which might influence his rehabilitation.

This idea finds expression in *German* legislation and legal practice (workers' insurance), where it is provided that loss of earning capacity is covered when the insured person is no longer capable of earning, in any employment suited to his strength and ability which can reasonably be assigned to him in view of his training and previous occupation, a given fraction of the sum usually earned by a physically and mentally sound person of the same kind with similar training in the same district. The present earnings of the person concerned are only an indication, and not a final and sufficient basis on which to work; according to legal practice no account should be taken of the income which the worker in question could obtain by making an exceptional effort, in spite of his physical condition, to maintain himself.

When determining general incapacity for work, account should be taken of the relative importance of the physiological con-

sequences of the worker's infirmities and the difficulties of finding a fresh situation on the labour market, but the judgment should not be based solely on the results of his rehabilitation.

The criterion of pensionable invalidity adopted in the German workers' scheme will be found also with slight variation in the following systems of legislation:

Argentina (staffs of private undertakings of public utility; bank staffs), *Austria* (workers), *Bulgaria* (general scheme), *Chile* (workers), *Czechoslovakia* (workers), *Denmark* (general scheme), *France* (miners; workers in Alsace-Lorraine), *Germany* (workers), *Great Britain* and *Northern Ireland* (general scheme), *Greece* (tobacco workers), *Hungary* (workers under general scheme; miners), the *Irish Free State* (general scheme), *Italy* (general scheme), *Luxemburg* (workers), the *Netherlands* (general scheme), *Poland* (workers in Western Provinces and Upper Silesia), *Rumania* (general scheme in former Kingdom; miners in Ardeal), *Sweden* (national scheme) and the *U.S.S.R.* (general scheme).

Under the *French* general scheme pensionable invalidity is defined with reference to general incapacity for work. Until, however, a scale has been drawn up to guide the authorities in estimating the degree of incapacity, it will be assessed on the basis of the scale used for determining the incapacity of war victims. This latter scale merely gives the average incapacity which may result from any given infirmity in the case of workers belonging to various occupations. At the same time, the authorities are left with a certain margin which, in some cases, is quite wide and which entitles them to take account of the possible effects of the development and state of the infirmities on the possibility of further employment for the worker in question.

DEGREE OF INVALIDITY ENTITLING TO PENSION

Whether the risk covered is defined in terms of occupational incapacity or general incapacity for work, the granting of a pension for invalidity depends on the extent of the injury done to the worker. The mere fact of suffering a slight decrease in his remuneration as a result of some minor infirmity is not sufficient to entitle an insured person to a pension.

The amount of the pension is generally independent of the degree of incapacity, but the pension is due as soon as the loss of working power exceeds a certain—usually rather high—level.

It is only in quite exceptional cases that invalidity insurance schemes grant a pension for any incapacity of less than 50 per cent., and the more usual figure is $66\frac{2}{3}$ per cent.

An exception is sometimes made to this rule, either by taking into account the actual fall in wages and limiting the amount of the pension to a corresponding extent (salaried employees' insurance in *Luxemburg*, and salaried employees' and miners' insurance in *Czechoslovakia*), or by permitting the insured person to claim a pension when he reaches a certain degree of loss of earning capacity, the partial invalidity pension being then reckoned according to the percentage of incapacity as compared with that which is considered as a complete loss of working power. This latter system will be found in *Argentina* (staffs of private undertakings of public utility) and *Yugoslavia* (miners).

With these few exceptions, the degree of incapacity carrying with it the right to a pension is not graded to take account of the more or less partial injury, except in the *U.S.S.R.* The following tables show the method by which the degree of incapacity is fixed in various countries.

I. — SCHEMES COVERING THE RISK OF GENERAL INCAPACITY
FOR WORK

Country	Scheme	Degree of incapacity entitling to pension
Austria	Workers	Incapacity of at least $66\frac{2}{3}$ per cent.
Bulgaria	General scheme	Incapacity of at least 50 per cent.
Chile	Workers	Complete incapacity due to chronic incurable disease.
Czechoslovakia	Workers	Incapacity of at least $66\frac{2}{3}$ per cent.
Denmark	General scheme	Ditto
France	Miners Workers in Alsace-Lorraine	Ditto. Ditto.
Germany	Workers	Ditto.
Great Britain and Northern Ireland	General scheme	Total incapacity of a permanent or at least prolonged nature.
Greece	Tobacco workers	Incapacity of at least $66\frac{2}{3}$ per cent.
Hungary	Workers Miners	Ditto. Incapacity of at least 50 per cent.

Country	Scheme	Degree of incapacity entitling to pension
Irish Free State	General scheme	Total incapacity of a permanent or at least a prolonged nature.
Italy	General scheme	Permanent incapacity of at least 66⅔ per cent.
Luxemburg	Workers	Incapacity of at least 66⅔ per cent.
Netherlands	General scheme	Ditto.
Poland	Workers in Western Provinces and Upper Silesia	Ditto.
Rumania	General scheme in former Kingdom	Ditto.
	Miners in Ardeal	Ditto.
Sweden	National scheme	The law does not fix the degree of incapacity entitling to a pension. In legal practice a pension is granted for incapacity of at least 66⅔ per cent.
U.S.S.R.	General scheme	Incapacity of at least 50 per cent.

II. — SCHEMES COVERING THE RISK OF OCCUPATIONAL INCAPACITY

Country	Scheme	Degree of incapacity entitling to pension
Austria	Salaried employees	It is left to the competent authority to decide the degree of incapacity beyond which a pension is due.
Belgium	Miners	The law does not fix the degree of incapacity entitling to pension, but merely specifies that no pension will be granted except in the case of infirmity involving incapacity to work normally in any industry covered by the scheme. The pension is decreased if the insured person earns by his work more than 200 frs. a month and is withheld altogether when he earns more than 450 frs. a month.
Brazil	Railway and harbour workers	Inability to continue to carry out the work performed before invalidity began or any other work compatible with the aptitudes or the occupational and intellectual training of the insured person and bringing in a wage equal to that earned in his former employment.

Country	Scheme	Degree of incapacity entitling to pension
Cuba	Seamen and harbour workers	Inability to continue the work performed before invalidity began or any other employment compatible with the aptitudes and training then acquired.
Czechoslovakia	Salaried employees	The law does not fix the degree of incapacity entitling to pension, but specifies that if the invalid continues to work and receives remuneration which, with his pension, exceeds either his average wage during the preceding 60 months or 30,000 Kc. a year, the fraction of the pension in excess of this figure will be withheld.
	Miners	The law does not fix the degree of incapacity entitling to pension, but the practice of the supreme arbitration court is to grant a pension when incapacity amounts to 40 per cent. in the case of an underground worker and 50 per cent. in the case of a surface worker. When the pensioner continues to work and receives remuneration which, with his pension, exceeds 75 per cent. of the wages paid to workers in the category to which he belonged before invalidity began, then the fraction of his pension in excess of this limit is withheld.
France	Salaried employees in Alsace-Lorraine	Incapacity of at least 50 per cent. whether permanent or lasting more than 26 weeks.
Germany	Miners	Inability to perform mining work compatible with his social position, physical condition and occupational training.
	Salaried employees	Incapacity of at least 50 per cent.
Great Britain and Northern Ireland	General scheme	Temporary total incapacity.
Hungary	Salaried employees	Incapacity of at least 50 per cent.
Irish Free State	General scheme	Temporary total incapacity.

Country	Scheme	Degree of incapacity entitling to pension
Luxemburg	Salaried employees	The law does not fix the degree of incapacity but specifies that if the invalid continues to work and receives remuneration which, with his pension, exceeds his wage before invalidity began, the fraction of his pension in excess of this figure will be withheld. A pension is paid for temporary incapacity in the same way as permanent incapacity provided that it lasts continuously for three months and that the employer's obligations by collective agreement or under legislation have ceased to cover the risk.
Netherlands	Miners	Inability to perform the mining work carried out before invalidity began.
Poland	Miners in Southern Provinces	Inability to follow the occupation of miner by reason of sickness, industrial accident or old age.
	Miners in Upper Silesia	Inability to follow the occupation of miner.
	Intellectual workers	Incapacity of at least 50 per cent. for one's occupation.

ESTABLISHMENT OF INVALIDITY

The problems involved in establishing invalidity vary according as the incapacity which has to be examined is due to inability to exercise a particular occupation or occupations of a particular type (occupational incapacity) or incapacity for any occupation or trade compatible with the knowledge, age and previous training of the worker (general capacity for work).

Whatever definition may be given of the risk covered, the authority responsible for certifying that the event insured against has actually happened must first of all verify the existence of the infirmities to which the incapacity is attributed. It must then determine the extent of the functional disturbances and the degree of care and special attention required, and state whether these infirmities are compatible with any remunerative employment. Finally, the authority must indicate the type of activity which

the worker is still capable of performing. This constitutes the strictly medical part of the task of determining invalidity. When that has been completed it is necessary, if the insurance covers occupational incapacity, to decide whether the type of activity recognised as compatible from a medical point of view with the infirmity from which the worker suffers includes work in the occupation or trade formerly exercised by the worker in question. If so, the next question is whether the earnings which the applicant may reasonably hope to receive in view of his physical state are comparable with the wages of healthy persons of the same occupational training. When the insurance covers general incapacity for work, and the infirmity is stated by medical experts to permit certain kinds of work, it is necessary to consider whether the type of work considered possible from the medical point of view can in fairness be demanded of the insured person in view of his previous type of activity. The next question will be what fraction of the normal wage will most probably be earned by the invalid worker from this activity. This constitutes the economic and social side of the question, in which individual factors, the age of the worker and his previous trade, play a predominant part in determining the occupational consequences of his infirmity.

Theoretically, it might be possible on the basis of experience to prepare scales showing the percentage of the reduction in earning power among workers suffering from a given type of infirmity after they had been retrained for some other post.

The ideal scale would have to be a complete dictionary, including every occupation and showing in each occupation all the possible infirmities and the degree of incapacity which they involve for that occupation. These figures would, moreover, have to be corrected to allow for the age and skill of the individual. The preparation of such a scale would necessitate extremely minute study for a long period, particularly in view of the growing specialisation of industrial occupations. At the present time only a single scale of this type, which is, moreover, simplified to a considerable extent, is officially applied, but it relates to industrial accidents. This is the scale of the State of California, which takes account of the nature and gravity of the injuries (267 types of infirmities), of the occupation (52 occupational groups), and of the age of the victim (31 categories of from fifteen to seventy-five years). The number of possible combinations in this scale exceeds 12 million, but its application must obviously be a very delicate matter, and its practical value is doubtful.

The various possible methods of composing the authorities which have to establish the existence of invalidity will be sufficiently clear from an enumeration of the problems with which they have to deal.

If the insurance covers occupational incapacity, the authority which has to decide on the existence of such incapacity must undoubtedly include persons belonging to the trade or occupation of the worker concerned, or at least persons fully acquainted with its main characteristics.

If the insurance covers general incapacity for work, the task of the authority will be to state whether the worker can be transferred to some other occupation, and what will be the probable result. Such a decision must be based on the opinion of experts who are specially competent in the technical questions of rehabilitation and vocational guidance.

According to the criterion adopted in defining the risk, the authority which has to decide on the nature of the invalidity must include one or more persons capable of judging either the possibility of the worker's continuing his previous occupation or trade (when occupational incapacity is covered) or the possibility of transfer to another occupation (when the insurance covers general incapacity for work).

THE REVIEW OF INVALIDITY PENSIONS

Apart from cases in which it is obvious from the outset that the injuries which incapacitate the worker are incurable, the pension cannot be granted for life immediately on the establishment of invalidity. The insurance institution must have the possibility of verifying, at least until the injury has reached a stage at which a final diagnosis is possible, whether the circumstances on account of which the pension was granted still exist or not.

As a rule the pensioner has to be examined whenever the insurance institution thinks necessary, and such examinations may be ordered at any time, unless the law prescribes a certain period after which the pension must be definitively granted. Such examinations naturally cease to have any meaning when the invalid reaches the age prescribed for an old-age pension. This system has been adopted in the following countries: *Austria* (workers), *Bulgaria* (workers), *Chile* (workers), *Cuba* (seamen and harbour

workers), *Czechoslovakia* (workers; miners), *France* (miners; workers and salaried employees in Alsace-Lorraine), *Germany* (workers; salaried employees; miners), *Great Britain and Northern Ireland* (general scheme), the *Irish Free State* (general scheme), *Italy* (general scheme), *Luxemburg* (workers), *Netherlands* (general scheme), *Poland* (intellectual workers; workers in Western Provinces and Upper Silesia), *Rumania* (general scheme in former Kingdom; miners in Ardeal), *Sweden* (national scheme) and the *U.S.S.R.* (general scheme). In *Bulgarian* legislation, however, it is provided that the insurance institution cannot have the invalid examined to determine whether the reasons for which the pension was granted still exist except at the end of each period of three years after the invalidity was first discovered.

In a few cases the legislation prescribes a period after which the pension must be definitively granted. This is the case in *Argentina* (staffs of private undertakings of public utility: 5 years; bank staffs: 10 years) and in *France* (general scheme: 5 years for consolidation of the provisional pension, and 10 years for the granting of the final pension).

§ 2. — Qualifying Period

In invalidity insurance schemes the completion of a qualifying period, the duration of which varies considerably but generally lies between two and five years, is insisted upon not for the purpose of making the guaranteed benefits proportionate to the contributions paid (since the benefits due after the completion of the qualifying period generally exceed considerably the value of the payments made), but merely in order to eliminate the worst risks and to prevent affiliation for the sole purpose of acquiring the right to benefit without exercising an insurable occupation as a genuine means of livelihood.

The obligation to exercise some insurable occupation for a certain minimum period and to pay at least a prescribed number of contributions before the risk is covered is quite often modified in the case of invalidity, as well as in the case of old age, by assimilating certain periods, such as periods of sickness or unemployment, during which contributions are not paid, to the time during which the insured person was actually at work and was therefore a contributor.

LENGTH OF QUALIFYING PERIOD IN DIFFERENT COUNTRIES

Country	Scheme	Qualifying period	
Belgium	Miners	Years of mining work	Age when invalidity begins
		10	under 40
		12	40-45
		15	45-50
		18	50-55
		20	over 55
France	Salaried employees in Alsace-Lorraine	Men: 120 contribution months; women: 60 contribution months; provided that 60 monthly contributions have been paid under compulsory insurance; otherwise the qualifying period is extended by 30 months.	
Argentina	Bank staffs	10 years' service to be entitled to pension; no qualifying period for a lump sum indemnity.	
Cuba	Seamen and harbour workers	10 years' service.	
France	Miners	10 years' mining work.	
Uruguay	Staffs of private undertakings of public utility	10 years' service.	
Rumania	Miners in Ardeal	8 contribution years.	
U.S.S.R.	General scheme	Age when invalidity begins	Qualifying period (years): Workers Salaried employees
		Under 20	none none
		20-25	2 2
		25-30	3 4
		30-40	5 6
		40-50	7 9
		Over 50	8 12
Greece	Tobacco workers	1,800 paid-up daily contributions.	
Germany	Salaried employees	60 paid-up monthly contributions.	
Poland	Miners in Southern Provinces	60 paid-up monthly contributions.	
Brazil	Railway and harbour workers	5 years' insurance.	
Czechoslovakia	Salaried employees	60 contribution months.	

Country	Scheme	Qualifying period
Italy	General scheme	240 contribution weeks.
Luxemburg	Workers	Nationals: 1,350 contribution days; aliens: 2,700 contribution days.
Germany	Workers	200 contribution weeks.
France	Workers in Alsace-Lorraine	200 contribution weeks, of which 100 must be under compulsory insurance; otherwise 500 weeks.
Hungary	General scheme	200 contribution weeks.
Poland	Workers in Wes- tern Provinces and Upper Silesia	200 contribution weeks, of which 100 must be under compulsory insurance; otherwise 500 weeks.
Rumania	General scheme in former King- dom	200 contribution weeks.
Bulgaria	General scheme	156 contribution weeks.
Netherlands	General scheme	150 contribution weeks.
Germany	Miners	36 contribution months.
Poland	Miners in Upper Silesia	3 years' insurance.
Chile	Workers	104 weekly contributions.
Denmark	General scheme	2 years' insurance with a sickness fund.
France	General scheme	Payments equal to 480 contribu- tion days during the two years preceding the beginning of the illness or accident causing invalidity.
Great Britain and Northern Ireland	General scheme	Continuous insurance for 104 weeks and payment of 104 contributions.
Irish Free State	General scheme	Continuous insurance for 104 weeks and payment of 104 contributions.
Austria	Workers	(104 weekly contributions during the preceding 5 years, of which 52 must be under compulsory insur- ance, or 78 under voluntary in- surance, during the three years preceding the beginning of the inva- lidity.
Argentina	Staffs of priv- ate undertakings of public utility	Salaried employees: one year; workers: two years.

Country	Scheme	Qualifying period
Czechoslovakia	Workers	100 paid-up weekly contributions.
Sweden	National scheme	No conditions concerning qualifying period.

INCLUSION OF PERIODS OF SICKNESS, UNEMPLOYMENT, ETC., IN QUALIFYING PERIOD

The conditions under which periods of sickness, unemployment, etc., may be assimilated to periods of actual contribution in reckoning the qualifying period are the same for invalidity as for old age, and it is therefore unnecessary to describe them afresh (see above, p. 45).

§ 3.— Retention of Status of Insured Person

The methods adopted for regulating the maintenance of insurance status after the completion of the qualifying period are generally the same whether the risk covered be old age or invalidity, irrespective of the cause or duration of the interruption in the payment of contributions.

Nevertheless, those schemes which cover both invalidity and old age and which grant a pension to the insured person who has reached the retiring age, irrespective of the duration or cause of interruptions in the payment of contributions, demand in the case of invalidity that the worker should have actually been an employed contributor during the period immediately preceding the occurrence of the invalidity.

An exception to this rule will be found in the *Netherlands*, where the general legislation provides that the invalidity risk shall be covered notwithstanding any interruption in contributions, provided that the worker has completed the qualifying period.

The *British* invalidity insurance scheme makes the right to normal benefit dependent on the existence in the insured person's account of a minimum number of contributions actually paid up or deemed to have been paid during the contribution year (July-July) immediately preceding the benefit year (January-January). The benefits are reduced when the number of weekly contributions actually paid or deemed to have been paid during the contribution

year falls below fifty. No benefits are granted when the number is below thirty-six. The insured person has, however, the possibility, between the date of expiry of the contribution year and the beginning of the benefit year, that is to say during the six months from July to January, of redeeming his right to full benefit by paying the sum necessary to bring the number of contributions in his account up to the required figure.

The social insurance scheme instituted by the *French* Act of 30 April 1930 requires the insured person to have paid 480 daily contributions during the two years preceding the beginning of the sickness or accident which causes invalidity.

Although the fact is not always expressly mentioned in the legislation, there can be no doubt that the insured person must be an employed contributor during the period immediately preceding the happening of the event insured against in *Belgium* (miners), *Chile* (workers), *France* (miners), *Italy* (general scheme) and the *U.S.S.R.* (general scheme).

The miners' insurance scheme in *Polish Upper Silesia*, which covers invalidity but not old age, permits the maintenance of rights which have been acquired by the payment of a continuation fee.

§ 4. — Computation of Invalidity Pensions

COMPONENTS OF INVALIDITY PENSIONS

The components of invalidity and old-age pensions are generally the same: fixed pensions or pensions varying according to wages, the length of the contribution period and family responsibilities. In addition, invalidity pensions may, in exceptional cases, vary according to the degree of incapacity or the extent to which the invalid is dependent on the constant help of another person.

Whereas the solutions adopted by legislation covering the two risks are practically always identical with regard to the influence of earnings and family responsibilities on benefit, the solutions are sometimes quite different with regard to the influence of the contribution period on the amount of the pensions.

In every case in which a person's entry into insurance occurs under normal conditions, coinciding with his entry into employment, the risk of old age appears as a distant eventuality which will materialise at a given date, and the covering of that risk is in the nature of savings. It is the principal virtue of social insurance

schemes that they make such saving compulsory. Invalidity, on the other hand, may occur to the worker at any moment in the course of his occupation, and if he has family responsibilities its premature occurrence may be extremely serious.

The covering of the invalidity risk by the system generally adopted for old-age insurance, that is, by granting a pension which is to a great extent proportionate to the length of service of the insured person and the amount of contributions paid, has the grave defect of not sufficiently covering the risks to which a worker is exposed who has not been a member of the insurance scheme for very long. As a result of his brief period of membership he would be entitled to very small or possibly insignificant benefits.

For this reason the majority of invalidity insurance schemes provide, in order to maintain the benefits they offer at an adequate level, either that invalidity pensions shall be composed of two parts (the one due as soon as the qualifying period is completed and therefore independent of the length of membership, and the other varying in proportion to contributions), or else that the whole pension is due irrespective of the length of the qualifying period or the number of payments received by the insurance institution. There are only a very small number of schemes which make all the benefits vary in proportion to the contribution period without guaranteeing a certain fixed sum or fraction of the worker's wage as soon as the qualifying period has been completed, so as to increase the relative size of the pension due to insured persons who become invalids earlier in their occupational career.

METHODS OF COMPUTING INVALIDITY PENSIONS IN DIFFERENT COUNTRIES

(1) *Schemes in which the Pension does not Depend on Wages or on the Contribution Period*

Denmark (general scheme), *France* (miners), *Great Britain* and *Northern Ireland* (general scheme), *Greece* (tobacco workers), *Irish Free State* (general scheme) and *Poland* (miners in Southern Provinces).

Denmark (general scheme). — 540 kroner a year.

France (miners). — 3,600 frs. a year.

Great Britain and *Northern Ireland*. — £19 10s. a year.

Greece (tobacco workers). — Men: 5,400 drachmas a year; women: 4,500 drachmas.

Irish Free State (general scheme). — £19 10s. a year.

Poland (miners in Southern Provinces). — Guaranteed minimum, 240 zloty a year. The actual rate of pension varies according to the resources of the insurance fund.

(2) *Schemes in which the Pension does not Depend on Wages but Varies with the Length of the Contribution Period*

Belgium (miners) and the *Netherlands* (miners).

Belgium (miners). — The annual invalidity pension comprises:

(1) A fixed allowance of 90 francs for each year of service. This allowance is increased to 120 francs in the case of married workers. The amount of the allowance may not fall below 1,800 francs and may not in principle exceed 3,600 francs for married workers or 2,700 francs for widowers or unmarried men. The amount of the allowance is increased to 4,800 francs in the case of married men who have been employed for thirty years on underground work, and 3,600 francs in the case of widowers or unmarried men.

(2) The free supply of 86 $\frac{2}{3}$ kilograms of coal for each year of service up to a maximum of 3,400 kilograms.

Netherlands (miners). — The invalidity pension is equal to as many times 0.95 florins as the worker has paid monthly contributions.

(3) *Schemes in which the Pension Consists of a Fixed Sum and a Fraction not dependent on Wages but Varying with the Length of the Contribution Period*

Czechoslovakia (miners) and *Rumania* (general scheme in former Kingdom).

Czechoslovakia (miners). — The pension consists of:

(1) An annual basic amount of 900 Kc. after a qualifying period of five years.

(2) An annual increment of 8 Kc. for each contribution month.

Rumania (general scheme in former Kingdom). — The pension consists of:

(1) A fixed sum of 6,000 lei a year.

(2) A fraction varying according to the length of the contribution period and equal to as many times 3 lei as the worker has paid weekly contributions in excess of the first 200 weeks.

(4) *Schemes in which the Pension Varies with the Average Wage and the Age of Entry into Insurance*

France (general scheme). — (a) Rate of invalidity pensions for persons who entered before the age of thirty.

The pension is equal to not less than 40 per cent. of the average wage on which compulsory contributions were paid each year from the age of 16 if the insured person is over that age. This rate is increased up to a maximum of 50 per cent. by 1 per cent. of the wage for each year beyond the thirtieth during which at least 240 daily contributions were paid.

(b) Rate of invalidity pensions for persons entering after the age of thirty.

The pension of at least 40 per cent. of the average annual wage is reduced by one-thirtieth for each year or fraction of a year of age between thirty and the age of entry; it may not fall below 1,000 francs if the insured person has contributed for at least six years. If the insured person has not contributed for six years the minimum pension is reduced by 100 francs for each year or fraction of a year below six years but may not fall below 600 francs

and may not exceed two-thirds of the basic wage. Only those years during which a minimum of 240 daily contributions was paid are considered contribution years.

(5) *Schemes in which the Pension Varies Solely with the Final Wage*

Cuba (seamen and harbour workers), *Uruguay* (staffs of public utility undertakings) and the *U.S.S.R.* (general scheme).

Cuba (seamen and harbour workers). — The invalidity pension is equal to the normal old-age pension, which is based on the average wage during the last 2 years and is fixed as follows:

Per cent. of wage	Annual wage (pesos)
65	1,200 and under
60	fraction between 1,201 and 2,400
55	„ „ 2,401 and 6,000

Since the pension cannot in any case exceed 150 pesos a month, no account is taken of wages in excess of 245.5 pesos a month.

Uruguay (staffs of public utility undertakings) — The pension is fixed at a fraction of the average earnings for the preceding five years varying according to the amount of these earnings.

Limits of wage classes (pesos per month)	Amount of pension (pesos per month)
Up to 50	Full wage
50-60	50.00 + 0.95 per peso
60-80	59.50 + 0.90 „
80-100	77.50 + 0.85 „
100-125	94.50 + 0.80 „
125-150	114.50 + 0.75 „
150-175	135.50 + 0.70 „
175-200	150.75 + 0.65 „
200-225	167.00 + 0.60 „
225-250	182.00 + 0.55 „
250-275	195.75 + 0.50 „
275-300	208.25 + 0.45 „
300-325	219.50 + 0.40 „
325-350	229.50 + 0.35 „
350-375	238.25 + 0.30 „
375-400	245.75 + 0.25 „
400-425	252.00 + 0.20 „
425-450	257.00 + 0.15 „
Over 450	260.75 + 0.10 „

4 per cent. of the total amount is deducted from all pensions under 100 pesos (*sic*).

U.S.S.R. (general scheme). — The invalidity pension varies according to:

- The degree of invalidity;
- The amount of the monthly basic wage;
- The last place in which the worker was employed.

The extent of the injury is determined by grading the individuals in three groups. Group I includes invalids who are not merely incapable of any remunerative employment but who also require the constant help of another person. Group II consists of invalids who are incapable of any remunerative employment. Group III consists of invalids who are incapable of constant remunerative employment but who can earn a certain amount by occasional easy work, provided that their loss of earning capacity is estimated at more than 50 per cent.

Account is taken of the last place in which the invalid was employed by making that fraction of the final wage which is granted as a pension vary

according to the level of wages in the district in which the worker in question was last employed. For this purpose the territory of the U.S.S.R. is divided into six zones in which different localities are classified according to the degree of industrialisation and the level of wages, so that districts in which industry is highly developed and wages are very high belong to zone I, and districts where industrialisation has been slight and the rates of wages are lowest belong to zone VI.

In ordinary cases pension rates are fixed as follows:

Wage exceeding 60 roubles in zones I and II.	}	{	Invalidity pension for group I equal to two-thirds of wages.
Wage exceeding 45 roubles in zones III and IV.			Invalidity pension for group II equal to $\frac{2}{3}$ ths of wages.
Wage exceeding 30 roubles in zones V and VI.			Invalidity pension for group III equal to one-third of wages.
			Invalidity pension reckoned according to monthly wage of: 225 roubles in zones I, II and III;
Wage exceeding 225 roubles in zones I, II and III.	}	{	180 roubles in zones IV, V and VI.
Wage exceeding 180 roubles in zones IV, V and VI.			Thus in zones I, II and III the pension may not exceed:
			150 roubles for group I, 100 roubles for group II, 75 roubles for group III.
			In zones IV, V and VI the pension may not exceed:
			120 roubles for group I, 80 roubles for group II, 60 roubles for group III.

(6) *Schemes in which the Pension Varies with Wages and the Length of the Contribution Period*

Various combinations of the component parts of these pensions are possible. They may include a fixed sum or a certain fraction of the wage, which is due as soon as the qualifying period is completed, supplemented by a fraction proportional to contributions or by a fraction varying with the final wage of the insured person and the length of his contribution period. On the other hand, benefits may be computed solely according to the wage of the insured person and the length of the contribution period.

On the basis of these criteria the systems of legislation in which benefits vary according to wages and the contribution period have been classified into six groups.

First Group

Schemes in which the pension consists of a fixed sum and a fraction varying with the final wage and the length of the contribution period:

Austria (workers) and *Brazil* (railway and harbour workers).

Austria (workers). — The invalidity pension is composed of two factors:

(1) A State subsidy;

- (2) An increment proportional to the final wage and sometimes varying with the number of contributions paid.

The State subsidy is always fixed at 72 sch. a year. The increment varies according as the insured person has or has not paid 500 weekly contributions. When not less than 500 weekly contributions have been paid the increment is equal to 120 times the basic daily wage, provided that it shall not be less than 144 sch. or more than 1,008 sch. a year. The basic daily wage is taken to be the average wage during the 104 weeks preceding the beginning of invalidity or the date on which the insured person completed his 45th year, whichever is more favourable to the worker.

When less than 500 weekly contributions have been paid the increment is reduced by one-third.

Brazil (railway and harbour workers). — The annual pension is composed of:

(1) A guaranteed minimum of 600 milreis a year;

(2) A fraction varying with the final wage and the length of the contribution period.

The variable fraction is equal to the difference between 600 milreis and as many 30ths of the normal old-age pension as the worker has years of service.

The normal old-age pension is based on the average wage during the last 3 years and is fixed as follows:

Per cent. of wage	Annual wage (milreis)
100	1,800 and under
90	fraction between 1,801 and 3,600
70	" " 3,601 " 7,200
65	" " 7,201 " 12,000
55	" over 12,000

No pension may exceed 3,000 milreis a month.

Second Group

Schemes in which the pension consists of a fixed sum and a fraction varying with the amount of contributions paid :

Czechoslovakia (workers; salaried employees), *France* (workers in Alsace-Lorraine), *Germany* (workers; salaried employees; miners), *Hungary* (workers and salaried employees under general scheme), *Italy* (general scheme), *Luxemburg* (workers; salaried employees), *Poland* (workers in Western Provinces; workers and miners in Upper Silesia) and *Sweden* (national scheme).

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)												
Czechoslovakia Workers	State subsidy: 500 Kc.	The increment varying with contributions paid is as follows: <table><tr><th>Monthly wage Kc.</th><th>Annual increment for each weekly contribution Kc.</th></tr><tr><td>250 and under</td><td>0.60</td></tr><tr><td>250-350</td><td>0.85</td></tr><tr><td>350-500</td><td>1.15</td></tr><tr><td>550-712.50</td><td>1.40</td></tr><tr><td>712.50 and over</td><td>1.75</td></tr></table>	Monthly wage Kc.	Annual increment for each weekly contribution Kc.	250 and under	0.60	250-350	0.85	350-500	1.15	550-712.50	1.40	712.50 and over	1.75
	Monthly wage Kc.		Annual increment for each weekly contribution Kc.											
	250 and under		0.60											
	250-350		0.85											
	350-500		1.15											
	550-712.50		1.40											
	712.50 and over		1.75											
Basic amount: 550 Kc.														
Total of fixed fraction: 1,050 Kc.														

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)
Salaried employees	Basic amount: 480 R.M.	15 per cent. of contributions paid after 1 Jan. 1924.
Miners (workers)	Basic amount: 168 R.M.	$\frac{1}{2}$ per cent. of basic monthly wage for each of first 60 paid-up monthly contributions; 1 per cent. for each of next 60; 1.85 per cent. for each of next 180; $\frac{1}{2}$ per cent. for each subsequent month.
Miners (salaried employees)	Basic amount: 480 R.M.	Ditto.
Hungary Workers	120 pengo	24 per cent. of contributions paid.
Salaried employees	120 pengo	19 per cent. of contributions paid.
Italy General scheme	State subsidy: 100 lire	The fraction of the pension varying with contributions comprises: (1) A basic amount equal to 5 times the average compulsory annual contribution during the whole period of insurance; (2) An increment equal to $\frac{2}{10}$ of the total amount of all contributions paid under compulsory insurance.
Luxemburg Workers	Basic amount corresponding to (1) An annual wage of 500 frs.; (2) 1,350 working days: 360 frs.	The fraction of the pension varying with contributions and the contribution period comprises: (1) An increment fixed at 1.20 frs. for that part of the average wage during insurance between 500 and 600 frs., and at 1.80, 2.40, 3.00, etc., frs. each for the first, second, third, etc., 100 frs. in excess of 600; (2) An increment of 0.16 frs. for every six days in excess of 1,350 working days.
Salaried employees	Basic amount: 3,600 frs. a year. This amount is increased by an annual supplement paid by the State to pensioners whose income does not exceed 15,000 frs. This supplement amounts to 500 frs. for pensions not	14 per cent. of the contributions paid into the insured person's account.

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)																
Poland Workers in Western Provinces	exceeding 5,000, and to 250 frs. for those between 5,000 and 8,000 frs. State subsidy: 50 zloty	The fraction of the pension varying with contributions paid consists of: (1) A basic amount varying with the wage class and always corresponding to 500 contribution weeks. If 500 weekly contributions have not been paid, the missing weeks are counted in the lowest wage class; if the number of weekly contributions paid exceeds 500, the surplus lower contributions are not taken into account. That fraction of the basic amount corresponding to each contribution week is fixed as follows. When the insured person has contributed on a wage of 1,200 zl. and over: 0.24 zl. 900-1,200 zl. 0.21 „ 700- 900 „ 0.19 „ 500- 700 „ 0.17 „ 500 and under : 0.15 „ (2) An increment varying with the number of contributions paid: for each weekly contribution, on a wage of: 1,200 zl. and over: 0.14 zl. 900-1,200 zl. 0.12 „ 700- 900 „ 0.10 „ 500- 700 „ 0.07 „ 500 zl. and under: 0.04 „																
Workers in Upper Silesia	State subsidy: 100 zl. Basic amount: 160 zl. Supplement of 10 per cent. = 26 zl. Total of fixed fraction: 286 zl.	The increment varying with contributions paid is as follows: <table><tr><th>Annual wage</th><th>Annual allowance for each contribution week</th></tr><tr><td>zl.</td><td>zl.</td></tr><tr><td>660 and under</td><td>0.055</td></tr><tr><td>661-960</td><td>0.11</td></tr><tr><td>961-1,320</td><td>0.143</td></tr><tr><td>1,321-1,620</td><td>0.187</td></tr><tr><td>1,621-1,980</td><td>0.22</td></tr><tr><td>1,981 and over</td><td>0.264</td></tr></table>	Annual wage	Annual allowance for each contribution week	zl.	zl.	660 and under	0.055	661-960	0.11	961-1,320	0.143	1,321-1,620	0.187	1,621-1,980	0.22	1,981 and over	0.264
Annual wage	Annual allowance for each contribution week																	
zl.	zl.																	
660 and under	0.055																	
661-960	0.11																	
961-1,320	0.143																	
1,321-1,620	0.187																	
1,621-1,980	0.22																	
1,981 and over	0.264																	
Miners in Upper Silesia (Tarnowskie-Gory Fund)	Basic amount: 176 zl.	The increment varies with the amount of the contributions paid.																

Country and scheme	Fixed fraction (a year)	Fraction proportional to contributions (a year)
Sweden National scheme	Bonus of 225 kr. for men and 210 for women.	The fraction of the pension varying with the amount of the contributions paid depends on the sex of the insured person and the age at which the payments were made.
	When the income of the insured person exceeds 50 kr. a year, the bonus is reduced by $\frac{6}{10}$ of the fraction of the income exceeding this sum.	The pension consists of the following percentages of contributions:
		Men Women Age when contribution paid
		70 % 56 % 16-19 years
		60 % 48 % 20-24 "
		50 % 40 % 25-29 "
		40 % 32 % 30-34 "
		30 % 24 % 35-44 "
		20 % 16 % 45-54 "
		15 % 12 % 55-66 "

Third Group

Schemes in which the pension consists of a fraction varying with wages, but not dependent on the contribution period, and a fraction varying with wages and the length of the contribution period:

Austria (salaried employees), *Chile* (workers), *France* (salaried employees in Alsace-Lorraine), the *Netherlands* (general scheme), *Poland* (intellectual workers), *Rumania* (workers in Ardeal) and *Yugoslavia* (miners).

Austria (salaried employees). — The annual pension consists of:

- (1) $\frac{35}{100}$ of the average wage during the last three years;
- (2) $\frac{1}{1200}$ of this average wage for each monthly contribution standing to the credit of the insured person before invalidity began, i.e. 1 per cent. of the wage for each contribution year.

The minimum basic wage is fixed at 80 sch. a month and the maximum at 400 sch. (800 sch. when the insured person is employed in a publishing undertaking, a pharmacy or an agricultural or forestry undertaking). The pension of an insured person over the age of 45 will be reckoned on his basic wage as at that age, when this is more favourable to him.

Chile (workers). — The pension consists of:

- (1) A guaranteed minimum due on completion of a qualifying period of two years. This minimum is equal to 50 per cent. of the basic earnings;
- (2) An increment varying according to the duration of insurance.

If the insured person has contributed for more than five and less than ten years the guaranteed minimum is increased by one-half, and the pension amounts to 75 per cent. of the basic earnings. If he has contributed for ten

years or more the guaranteed minimum is doubled, and the pension is thus equal to the basic earnings.

The basic earnings mean the average earnings during the year preceding the beginning of invalidity.

France (salaried employees in Alsace-Lorraine). — The pension is equal to one-quarter of the first 120 monthly contributions plus $\frac{1}{6}$ of the next 120 contributions and plus $\frac{1}{8}$ of the remainder. In the case of an insured woman who has contributed for at least 60 but less than 120 months, the pension amounts to one-quarter of the contributions paid during the first 60 contribution months¹.

Netherlands (general scheme). — The pension consists of:

- (1) A basic amount equal to 260 times the average weekly contribution paid during insurance;
- (2) An increment fixed at 11.2 per cent. of the total contributions paid but not less than $\frac{1}{5}$ of the basic amount.

Poland (intellectual workers). — The pension consists of:

- (1) A basic amount equal to 40 per cent. of the average basic salary during insurance;
- (2) An increment equal to $\frac{1}{6}$ per cent. of the average salary for each contribution month between the 120th and the 480th.

In each of the 14 wage classes the basic wage corresponds to the lower limit of the class. Insured persons earning less than 60 zl. a month are deemed nevertheless to earn that amount, and placed in the lowest class, while all those earning 720 zl. or more are placed in the highest class.

Rumania (miners in Ardeal). — As insured persons are classified in three occupational groups according to the nature of their work, the pension consists of:

- (1) A basic amount varying with each group;
- (2) An increment varying with each fund, but proportional to the contributions paid after the eighth year.

In some funds the total pension is as much as 35,200 lei a year.

Yugoslavia (miners). — The annual pension consists of:

- (1) A basic amount equal to 20 per cent. of the average basic wage during the last five years;
- (2) An increment equal to 2.40 per cent. of the same average wage for each year of insurance.

Fourth Group

Scheme in which the pension consists of a fraction varying with wages but not dependent on the contribution period, and a fraction not dependent on wages but varying with the length of the contribution period.

¹ The fraction of the pension dependent on the first 120 (or on the first 60) monthly contributions may be considered as independent of the length of the contribution period, since these contributions correspond to the qualifying period for a pension. At present the pension includes a temporary allowance of 720 francs a year, the permanent incorporation of which in the pension is contemplated.

Bulgaria (general scheme). — The pension consists of:

(1) A basic amount varying with wages as follows:

Average daily wage Leva	Basic annual amount Leva
15 and under	1,500
16-30	2,400
31-45	3,000
46-60	4,800
61 and over	6,000

(2) An increment fixed at 1 leva for each contribution week after the 156th

Fifth Group

Scheme in which the pension varies with the average wage and the length of the contribution period:

Poland (miners in Upper Silesia: Pszczyna Fund). — The annual pension is determined by multiplying the number of contribution months in each wage class by the basic factor for that class. The basic factors are as follows:

Wage class	Zl.
1st	0.69
2nd.	1.06
3rd.	1.56
4th.	1.85
5th.	2.20

Sixth Group

Schemes in which the pension varies with the final wage and the length of the contribution period:

Argentina (staffs of private undertakings of public utility; bank staffs) and *Uruguay* (bank and exchange staffs).

Argentina (staffs of private undertakings of public utility). — The invalidity pension is equal to 5 per cent. of the normal old-age pension for each year of service. The normal old-age pension is based on the average wage during the last 5 years and is fixed as follows:

Per cent. of wage	Annual wage (pesos)
95	1,200 and under
80	fraction between 1,201 and 3,600
70	" " 3,601 " 12,000

Argentina (bank staffs). — If the insured person has completed the statutory ten-year qualifying period, he may claim a pension equal to 3 1/2 per cent. of his final salary for each year of service, but not exceeding his final salary. The final salary is taken to be the average salary paid during the last five years.

If he has not completed the qualifying period the insured person can claim a lump sum equal to his average monthly salary during his service multiplied by the number of years of service.

Uruguay (bank and exchange staffs). — The pension is equal to 1/30 of the final annual wage for each year of service, but may not exceed the average wage during the last five years nor 4,800 pesos a year. If the pension would exceed 960 pesos a year it is reduced by 15 per cent.

SUPPLEMENT WHERE CONSTANT ATTENDANCE IS NEEDED

Invalidity may, quite apart from the loss of earning capacity which it involves, force the sufferer to have recourse to the constant help of another person.

In order to compensate to some extent for the additional expenditure involved, certain systems of legislation increase the amount of the pension to insured persons who cannot move, walk or accomplish the essential actions of life without assistance.

The supplement in respect of the constant help of another person is regulated as follows:

Austria (workers). — The invalidity pension is increased up to 50 per cent.

Czechoslovakia (workers). — The invalidity pension is increased up to 50 per cent., but this increment is not a compulsory benefit which the insurance institutions are obliged to pay.

Czechoslovakia (salaried employees; miners). — The invalidity pension is increased up to 50 per cent.

Denmark (general scheme). — 260 kroner a year.

Poland (intellectual workers). — A supplementary allowance is granted which brings the pension up to the level of the worker's basic wage.

U.S.S.R. — The invalidity pension is increased up to 50 per cent.

CHILDREN'S BONUSES

In schemes which cover both old age and invalidity, the bonuses for family responsibilities granted on old-age pensions are generally granted in the same way on invalidity pensions. Exceptions to this rule will be met with in the general schemes of *France*, *Great Britain* and *Northern Ireland* and *Sweden*.

British legislation does not grant bonuses for family responsibilities with invalidity pensions, although the old-age pension is doubled when the wife of a pensioner reaches the age of sixty-five.

In *France* the bonus for family responsibilities added to the old-age pension is always fixed at 10 per cent. of the pension for every pensioner who has reared three children up to the age of sixteen, but the bonus on the invalidity pension is 100 francs a year for each child under sixteen for whose maintenance the insured person is responsible.

In the provisions of *Swedish* legislation on old-age insurance no bonus is provided for family responsibilities, but in the invalidity insurance scheme a bonus of 102 kr. a year is granted for each child under fifteen years of age for whose maintenance the pen-

sioner is responsible. This bonus is granted only to pensioners whose annual income does not exceed 425 kr. in the case of a man or 400 kr. in the case of a woman, or 825 kr. when the pensioner lives with his wife, these limits being raised by 170 kr. for each child under the age of fifteen. When the income exceeds the above limits, the bonus is reduced by six-tenths of the surplus.

§ 5. — Forfeiture, Suspension and Lapse of Pensions Rights

The forfeiture, suspension or lapse of the right to invalidity pensions may be due to some voluntary action by the insured person making him responsible for the occurrence of the risk, or to fraudulent conduct towards the insurance institution. It may also be due, as was mentioned in the case of old-age pensions, to the prohibition of coincident rights under one or more social insurance schemes, or to the fact that the pensioner is being maintained at the public expense, or finally, to failure to comply with nationality or residence conditions.

The following paragraphs show the extent to which invalidity pensions may be forfeited or suspended or may lapse for reasons other than those dealt with in connection with old-age pensions.

FORFEITURE CONNECTED WITH THE ORIGIN OF INVALIDITY

The insured person very often forfeits his right when the occurrence of invalidity is due to some action of his own. This is usually the rule when there has been an attempt to defraud the insurance institution, for example, by malicious self-injury, or when the invalidity is due to the insured person's having committed some crime, misdemeanour or very serious offence. The definition of the reasons for forfeiture varies greatly from one country to another.

British legislation gives the insurance institution the right to exclude entirely or partially any invalidity which is due to misconduct on the part of the insured person, such as drunkenness, foolhardiness or wilful self-injury.

In *France* (general scheme) no cash benefit is granted for sickness, injuries or infirmities due to the wilful fault of the insured person. In this case his rights are forfeited automatically, not because he voluntarily caused the event insured against to happen, but because it did occur as the result of a premeditated misdemeanour, that is, there was a deliberate and direct desire to

commit that misdemeanour. Benefits cannot be granted when the sickness or infirmity is due to some crime or misdemeanour, or to an offence which, while not coming within the scope of the Penal Code, is still of a very serious nature.

In *Germany* no pension, in principle, is granted to an invalid who has deliberately (*vorsätzlich*) caused the infirmity in question. It is not necessary that the insured person should have had the intention to do so; he forfeits his rights if he wilfully exposed himself to risk by committing, for example, attempted suicide. The same rule is applied in *Czechoslovakia*. Under *German* law nevertheless, benefits may be granted in such cases, but only after an enquiry and a special decision by the insurance institution if the infirmity is due to some crime or misdemeanour. The insured person has the right to appeal against such a decision. Similar provisions exist in the *Netherlands*.

The forfeiture of the right to benefit in the case of fraud towards the insurance institution, with a view to illegally obtaining or maintaining benefits, is generally provided for by stating that if the insured person refuses to submit to a statutory medical inspection or declines without valid reason to undergo curative treatment, which might at least partly remove his invalidity, his pension will be withheld. In this case it is presumed that there is intent to defraud the insurance institution and that consequently the benefit hitherto paid may be withheld.

PROHIBITION OF COINCIDENT RIGHTS

The provisions concerning the total or partial suspension of benefit in the case of coincident rights, resulting from the occurrence of several events covered by a single social insurance scheme, or of a single event covered by several schemes, are in principle the same for invalidity as for old age. At the same time there is a special provision concerning coincident rights which sometimes applies particularly to invalidity pensions. Under certain schemes it is provided that no benefit can be paid for incapacity simultaneously under workmen's compensation legislation and under invalidity insurance legislation. This is the case, for example, in certain schemes in *Czechoslovakia*, *France*, *Germany*, *Great Britain* and *Northern Ireland*, *Italy* and *Luxemburg*.

In *Germany* (workers; salaried employees; miners) the basic pension, i.e. the fixed portion, is withheld in proportion to the degree of incapacity. Moreover the total of the benefits under

accident insurance and invalidity insurance must not exceed the former wages of the insured person (miners), or that of a person of the same training (workers; salaried employees).

In *Italy* (general scheme) and *Luxemburg* (salaried employees), when invalidity is due to an industrial accident for which compensation is due under the legislation on the subject, the invalidity pension is reduced to such an extent that, together with the annuity paid by way of workmen's compensation, it shall not exceed the previous wage of the insured person.

In *Czechoslovakia* (miners) an accident pension and an invalidity pension cannot be drawn simultaneously unless the total is less than two-thirds of the wage on which the accident pension was calculated, or 75 per cent. of the wage which workers in that particular category were receiving during the year preceding the occurrence of the invalidity. The choice between these two is that which is the more favourable for the worker.

In *France* (Alsace-Lorraine) the invalidity pension is suspended when, together with the accident compensation, it exceeds seven and a half times the basic amount of the invalidity pension. Only that fraction of the pension which exceeds that sum is withdrawn. The same rule holds good in *Luxemburg* (workers), but the limit for coincident benefit is seven times the basic amount of the invalidity pension.

In *British* legislation it is provided that if the compensation due under the Workmen's Compensation Act is less than the invalidity insurance benefit, the latter shall make good the difference between the normal invalidity pension and the accident compensation. If this latter compensation cannot be recovered because of the insolvency of the person responsible for payment, then the victim regains his full rights under invalidity insurance.

The *French* general scheme merely provides that any injury resulting from an industrial accident does not entitle the worker to benefit under general invalidity insurance.

The other reasons for suspension on account of coincident rights dealt with in the case of old-age insurance apply unchanged to invalidity risks.

SUSPENSION OF RIGHTS WHEN THE PENSIONER IS MAINTAINED AT PUBLIC EXPENSE

The rules mentioned with regard to old-age pensions apply unchanged to invalidity pensions.

CHAPTER III

PENSIONS AND LUMP SUMS IN CASE OF DEATH

The risk of death may be covered either by means of the benefits guaranteed by law or payable at the discretion of the insurance institution when certain conditions are satisfied, or of benefits for which the insured person has voluntarily made provision.

In this chapter it is proposed to consider only the provisions of insurance schemes under which benefits are guaranteed, leaving out of account provisions concerning benefits payable at the discretion of the insurance institution or voluntarily provided by the insured person on behalf of the survivors.

The benefits guaranteed by law can be divided into two groups:

- (1) *Survivors' pensions*, which may be for life or temporary, and are intended to meet at least part of the cost of maintenance of the persons formerly dependent on the insured.
- (2) *Lump sums* payable at death, generally intended to supplement or replace the funeral benefit provided for in many sickness insurance laws.

A. — SURVIVORS' PENSIONS

The risk covered in the case of death is that which the insured person runs of leaving dependent survivors. Apart from minor differences concerning the treatment of missing persons as deceased, the definition of the risk covered depends on the rules determining the categories of survivors entitled to insurance benefits.

The right to benefit depends here on two sets of conditions, one relating to the insured person himself, the duration of his insurance and the maintenance of the continuity of his insurance, the other to the survivors personally, that is to say, their family responsibilities and their degree of relationship with or dependence on the deceased.

§ 1. — Conditions of Award

CONDITIONS RELATING TO THE INSURED PERSON:
QUALIFYING PERIOD AND CONTINUITY OF INSURANCE

The object of the *qualifying period* in survivors' insurance is the same as in invalidity insurance, and the duration of the period is usually the same. The rules concerning the maintenance of continuity of insurance are nearly always identical in schemes covering the risks of both death and invalidity.

In *Belgium* and *France*, however, the qualifying period fixed in the *miners'* schemes differs for the two risks of invalidity and death. This is also the case in the *Netherlands* (general scheme).

In *France* (miners), the qualifying period, which is 10 years for invalidity, is raised to 15 years for death. Whereas the *Belgian miners'* scheme fixes a qualifying period of 10 to 20 years for invalidity, it lays down no condition as to a qualifying period in respect of survivors' pensions, and merely states that the widow cannot claim the guaranteed minimum unless at the time of death her husband was still a miner, or else had been pensioned for invalidity. In the *Netherlands* (general scheme) the waiting period is reduced to 40 contribution weeks to meet the risk of death, as compared with 150 weeks for invalidity.

In *Great Britain* and *Northern Ireland*, where the risk of death is covered in connection with that of old age and not that of invalidity, the conditions as to continuity of insurance also differ. For the payment of a survivor's pension where the insured person has been insured without interruption for over 208 weeks, the number of contributions paid or deemed to have been paid must represent on the average not less than 26 contributions a year in respect of each of the three years preceding the death of the insured person or the date at which he attained the age of 65 years.

Finally, in *Belgium* (workers; salaried employees) there are two schemes covering the risk of death but not that of invalidity, and these require no qualifying period for the grant of a widow's pension. This exemption is due to the fact that the widow's pension is equal to a proportion of the annuity that would have been payable to the insured person if he had been entitled to a pension at the time he died. Since this annuity is purchased out of the accumulated payments into an individual account, the guaranteed pension corresponds to the value acquired by the contributions paid.

CONDITIONS RELATING TO THE PERSON OF THE SURVIVOR

The essential condition to be satisfied by survivors in order to obtain a pension is that they should have been dependent on the deceased. This is subject to the limitation, however, that the state of dependence is recognised only in the case of members of the family of the insured person belonging to certain categories enumerated in the law: wife or husband, children, and in exceptional cases parents or brothers and sisters.

The personal conditions to be satisfied by survivors in these categories in order to obtain a pension when the insured person dies are analysed below.

Widows

In every case, with one exception, the widow is included among the persons who, if they satisfy the other conditions required by law, can claim a pension. In *France* (general scheme), however, the widow is excluded from the possible claimants unless her husband had voluntarily constituted a pension for his wife by devoting to this purpose part of the contribution normally intended to cover the risk of old age.

The personal conditions that the widow may be required to satisfy in order to obtain a pension relate to:

- (a) the existence of a state of dependence on the deceased;
- (b) the date of the marriage.

Conditions relating to Dependence

The state of dependence of the widow with respect to the insured person is often assumed automatically, at least in occupational insurance schemes. This is true of the special schemes in *South America*, as of those in *Austria* (salaried employees), *Belgium* (salaried employees; miners), *Czechoslovakia* (salaried employees; miners), *France* (salaried employees in Alsace-Lorraine), *Germany* (salaried employees; miners), *Hungary* (salaried employees; miners), *Luxemburg* (salaried employees), the *Netherlands* (miners), *Rumania* (miners in Ardeal), *Yugoslavia* (miners). The position is the same in *Belgium* (workers) and *Great Britain and Northern Ireland* (general scheme).

The other schemes require proof that the widow was actually dependent on the insured person and could not support herself, in

that they fix certain conditions as to age, incapacity for work and family responsibilities. The conditions are as follows.

Austria (workers). — Loss of earning capacity of not less than $66\frac{2}{3}$ per cent., or attainment of age 65, or maintenance of two children who are under 18 years of age or else unable to support themselves owing to physical or mental infirmity.

These conditions need not be fulfilled to obtain a temporary pension for one year.

Czechoslovakia (workers). — Incapacity for work, indicated by a general loss of earning capacity of not less than $66\frac{2}{3}$ per cent., or incapacity to perform her household duties, or attainment of age 65, or maintenance of two children of the insured person.

France (miners). — Attainment of age 55.

France (workers in Alsace-Lorraine). — Loss of earning capacity of not less than $66\frac{2}{3}$ per cent. or attainment of age 65.

Germany (workers). — Loss of earning capacity of not less than $66\frac{2}{3}$ per cent. or attainment of age 65.

Greece (tobacco workers). — Invalidity, or attainment of age 45, or maintenance of children under age.

These conditions need not be satisfied to obtain a temporary pension for two years.

Hungary (workers under general scheme). — Loss of earning capacity of not less than $66\frac{2}{3}$ per cent. or attainment of age 65.

Luxemburg (workers). — Loss of earning capacity of not less than $66\frac{2}{3}$ per cent., or attainment of age 65, or maintenance of three children under 18 years of age.

Netherlands (general scheme). — Loss of earning capacity of not less than $66\frac{2}{3}$ per cent or attainment of age 65.

Poland (workers in Western Provinces). — Loss of earning capacity of not less than $66\frac{2}{3}$ per cent. In Upper Silesia a widow is entitled to a pension on attaining age 60.

Switzerland (national scheme). — Attainment of age 50.

U.S.S.R. (general scheme). — Total loss of earning capacity, or attainment of age 55, or maintenance of children under 18 years of age.

Conditions relating to Date of Marriage

In order to prevent an insured person who has become an invalid or is already old, and perhaps even in receipt of an old-age pension, from establishing pension rights by a marriage that might only be a speculation on his early death, several laws make the award of a pension dependent on certain conditions as to the duration and date of the marriage, which must be anterior to the date at which the husband reached a specified age or at which he was recognised to be an invalid or granted an old-age pension. The condition of anterior marriage is laid down in the following laws, in particular: *Austria* (salaried employees; workers), *Belgium* (miners), *Czechoslovakia*

(workers; miners), *France* (miners), *Great Britain and Northern Ireland* (general scheme), *Hungary* (miners), *Luxemburg* (salaried employees), the *Netherlands* (general scheme), *Poland* (intellectual workers; miners in Upper Silesia).

In two countries, finally, there is no condition as to the date of the marriage, but a minimum period must have elapsed since the marriage before the widow has the right to a pension: *Rumania* (miners in Ardeal), one year; *Czechoslovakia* (salaried employees), six months, but if the insured person was 60 years old or over or pensioned at the time of the marriage, this period is raised to one year (the condition need not be satisfied if there is a child of the marriage or legitimised by it).

This condition, moreover, is as a rule modified by a regulation that whatever the date of the marriage the widow may claim a pension if the marriage has lasted for a specified period, or if the death of the husband was due to an accident, or if there is a child born of the marriage.

In *Austria* (workers) the marriage must have taken place before the insured person attained the age of 55 years or his invalidity had been recognised. This condition is not required if the death of the insured person was due to an accident subsequent to the marriage or if a child was born of the marriage or legitimised thereby. In the salaried employees' scheme the marriage must in every case have lasted for not less than six months, this period being raised to three years if the insured person was over 50 years of age, or had already been pensioned for invalidity or old age at the date of the marriage. No condition as to duration is required if the death of the insured person was due to an accident or if a child was born of the marriage. In actual fact the condition is applied strictly only in the exceptional case of insured persons who entered into insurance after 55 years of age, when the widow may make a claim only if the marriage was contracted before insurance was entered into.

In *Belgium* (miners) the marriage must have preceded the date at which the last contributions were paid by five years. This condition is waived, however, if on the death of the husband there is a child under 16 years dependent on the widow.

In *France* (miners) the widow must prove that her marriage preceded the date at which her husband ceased to contribute to the insurance by three years, but this condition is waived if the husband's cessation of work was due to an accident or if there was a child born of the marriage at the time he ceased work.

In *Great Britain and Northern Ireland* (general scheme) the condition is that the marriage should have taken place before the insured person reached the age of 60 years, but the widow need not satisfy this condition if at the time of her marriage with the insured person she was entitled to a widow's pension, or if there are children born of the marriage, or if the marriage has lasted not less than three years.

In *Hungary* (miners) the widow need not prove the anterior date of the marriage if a child had been conceived before the insured person was granted an invalidity pension and the husband had recognised his paternity.

In *Luxemburg* (salaried employees) the marriage must not only have taken place before the insured person was admitted to an old-age or invalidity pension, but it must have lasted for not less than one year. This latter condition is

waived, however, if the death of the husband was due to an accident or a child was born of the marriage.

In *Poland* (miners in Upper Silesia) the widow cannot claim a pension if the marriage was contracted after the cessation of compulsory or voluntary insurance. Her right to a pension is maintained, however, if the marriage contracted after invalidity has set in has lasted for not less than one year, and if the difference between the ages of husband and wife does not exceed ten years. The scheme for intellectual workers requires, on the one hand, that the marriage should have preceded the loss of status as an employed contributor, and on the other, that it should have lasted not less than six months. The latter condition is waived if the death of the husband was due to an event originating subsequent to the marriage.

Children

All the insurance laws include the children dependent on the insured person among the persons entitled to a pension, but the definition of a dependent child varies sometimes considerably from one scheme to another. As a general rule, children are not entitled to a personal orphans' pension, or an additional allowance cannot be claimed in respect of them, unless owing to their age or continuation of their studies they are unable to support themselves, or unless at the date of their parent's death they suffer from an infirmity which makes it impossible for them to earn their living.

The differences in the definition of the term "dependent children" turn therefore essentially on the age at, or conditions in, which children are deemed to be capable of earning their own living, and on the treatment of certain categories of children as orphans proper.

These differences are defined as follows in the national laws.

Country and scheme	(1) Definition of child, and (2) age limit
Argentina Staffs of private undertakings of public utility	(1) Legitimate children of an insured man or woman. Illegitimate children who have been recognised or whose paternity has been established in a court of law are entitled to a pension so far as they have the right to inherit under civil law.
Austria Salaried employees	(1) Legitimate children of an insured man or woman. Legitimised or adopted children, illegitimate children of an insured woman and recognised illegitimate children of an insured man; legitimate step-children and children bearing the name of the father are treated as legitimate children. (2) 18 years; 24 years if the children continue their studies and are therefore unable to earn their own living. If owing to infirmity the child is unable to earn his own living, the pension is maintained for the duration of the incapacity.

Country and scheme	(1) Definition of child, and (2) age limit
Austria (contd.) Workers	<p>(1) Legitimate children of an insured man or woman.</p> <p>Illegitimate children whose paternity has been established in a court of law are treated as legitimate children. Recognised illegitimate children, legitimate stepchildren and children bearing the name of the insured person, adopted children and foster-children are treated as legitimate children only if the recognition, the marriage of the insured person, the adoption or the admission to the insured person's home, preceded the cause of death.</p> <p>(2) 18 years. Children suffering from an infirmity making it impossible for them to earn their living are entitled to a pension for the duration of their incapacity.</p>
Belgium Workers Salaried employees Miners	<p>(1) Children dependent on an insured man or woman.</p> <p>(2) 16 years.</p> <p>(2) 18 years</p> <p>(1) Legitimate children of, or children dependent on, an insured man or woman.</p> <p>(2) 16 years.</p>
Brazil Railway and harbour workers	<p>(1) Legitimate children of an insured man or woman.</p> <p>Legitimised or legally adopted children are treated as legitimate children.</p> <p>(2) 16 years.</p>
Czechoslovakia Workers Salaried employees	<p>(1) Legitimate or legitimised children of an insured man or woman.</p> <p>Illegitimate children are entitled to a pension if their mother was insured, on the same conditions as legitimate children. Illegitimate children are not entitled to a pension on account of the insurance of their father unless they were recognised or their paternity was established in a court of law.</p> <p>Adopted children are not entitled to a pension on the death of the adoptive parent unless the adoption took place at least six months before the parent obtained an invalidity or old-age pension.</p> <p>Foster-children are entitled to an orphan's pension on the death of their foster-parents on condition that they were mainly dependent upon the foster-parents for maintenance and the latter had taken charge of them gratuitously at least six months before they obtained a pension or died.</p> <p>Grandchildren and stepchildren are entitled to an orphan's pension if they were mainly dependent on the deceased and the permissible maximum amount of orphan's pensions is not previously exhausted by the children of the deceased.</p> <p>(2) 17 years.</p> <p>(1) See above for "Workers"</p> <p>(2) 18 years.</p>

Country and scheme	(1) Definition of child, and (2) age limit
Czechoslovakia (cont.) Miners	<p>(1) (a) Fatherless, legitimate or legitimised children of an insured man. Illegitimate children are not entitled to a pension on account of the insurance of their father unless they were recognised by him or their paternity was established in a court of law.</p> <p>(b) Motherless legitimate or illegitimate children of an insured woman.</p> <p>(2) 16 years. There is no limit if the child is unable to support himself owing to physical or mental infirmity.</p>
France General scheme	<p>(1) Legitimate children of an insured man or woman. Recognised or adopted children who were dependent on the insured person and remain dependent on the surviving wife or husband are entitled to a pension on the same conditions as legitimate children.</p> <p>(2) 13 years. Children under 16 years are treated as if they were under 13 years if proof can be shown that they have entered into a written contract of apprenticeship, or are engaged in study in a public or private educational institution, or are infirm or suffering from an incurable disease, unless they are treated in hospital at the cost of the State, a department or commune.</p> <p><i>Number of children:</i> In the case of fatherless or motherless children there must be three children below the age limit to give a right to a pension, and the pension is granted in respect of each child after the second. If the children of an insured person are orphans, each of them below the age limit is entitled to a temporary orphan's pension.</p>
Miners	<p>(1) Legitimate or recognised children of an insured man or woman.</p> <p>(2) 12 years, raised to 14 years if the child continues to attend school until that age.</p>
Workers in Alsace-Lorraine	<p>(1) (a) Fatherless legitimate children of an insured man, and orphan grandchildren of an insured man on condition in their case that they are in a state of need and the insured person was responsible for their maintenance.</p> <p>(b) Motherless illegitimate children of an insured woman.</p> <p>(c) Motherless legitimate children of an insured woman if the father is dead or unable to work or refused to support his family. In the last case the right to pension exists only if the children are in a state of need and if they were wholly or partly dependent on the insured woman.</p> <p>(2) 15 years.</p>
Salaried employees in Alsace-Lorraine	<p>(1) See above for "Workers".</p> <p>(2) 18 years.</p>

Country and scheme	(1) Definition of child, and (2) age limit
Germany Workers, salaried employees, miners	<p>(1) (a) Fatherless legitimate children of an insured man. (b) Motherless legitimate children of an insured woman if she contributed to their support. Legitimised and adopted children and illegitimate children who were recognised by the insured person, or whose paternity was established in a court of law, and the illegitimate children of an insured woman are always treated as legitimate children. Stepchildren and grandchildren are treated as legitimate children if they were dependent on the insured person.</p> <p>(2) 15 years, raised to 21 years if the children continue their studies and are therefore unable to support themselves. Children suffering from infirmity, making it impossible for them to earn their living, are entitled to a pension for the duration of their incapacity.</p>
Great Britain and Northern Ireland General scheme	<p>(1) (a) Fatherless legitimate children of an insured man, being a married man or a widower. (b) Orphans whose widowed mother was insured or pensioned. Stepchildren and legally adopted children are treated as legitimate children, as are also illegitimate children of insured person or his wife, provided that they were living with the insured at the time of his or her death.</p> <p>(2) 14 years, raised to 16 years if the child continues his studies.</p>
Greece Tobacco workers	<p>(1) (a) Fatherless children of an insured man. (b) Motherless children of an insured woman if the father was dead or had refused to support his family and the mother provided for the children. Orphan grandchildren are treated as children.</p> <p>(2) 16 years for boys, 18 years for girls. The limit is raised to 21 years if the children continue their studies, or owing to infirmity are unable to support themselves.</p>
Hungary General scheme	<p>(1) Legitimate or legitimised children of an insured man or woman. Stepchildren are treated as legitimate children of the insured person, as also illegitimate children whose father was still an employed contributor when they were recognised by him or their paternity was established in a court of law.</p> <p>(2) If the insured person was classed as an insured worker, 15 years. This limit is raised to 18 years if the child is unable to earn his living owing to infirmity, or because he is continuing his studies. If the insured person was classed as an insured salaried employee, the age limit is 18 years.</p>

Country and scheme	(1) Definition of child, and (2) age limit
Hungary (contd.) Miners	<p>(1) Legitimate or legitimised children of an insured man or woman.</p> <p>The illegitimate children of an insured woman and the recognised illegitimate children of an insured man, as also those whose paternity was established in a court of law, are treated as legitimate children. This applies also to adopted children, stepchildren and grandchildren if they were maintained by the insured person for at least one year preceding his death and they have no relative responsible for and able to undertake their maintenance.</p> <p>(2) 16 years, raised to 24 years if the child continues his studies. Children whose infirmity makes it impossible for them to earn their living are entitled to a pension for the duration of their incapacity</p>
Luxemburg Workers	<p>(1) (a) Fatherless legitimate children of an insured man, and orphan grandchildren of an insured man, on condition in their case that they are in a state of need and the insured person was responsible for their maintenance.</p> <p>(b) Motherless illegitimate children of an insured woman.</p> <p>(c) Motherless legitimate children of an insured woman if the father is dead or unable to work or refused to maintain his family. In the last case the right to pension exists only if the children are in a state of need and were wholly or partly dependent on the insured woman.</p> <p>(2) 16 years.</p>
Salaried employees	<p>(1) (a) Fatherless children who were legally dependent on an insured man.</p> <p>(b) Motherless children of an insured woman who was wholly or partly responsible for the maintenance of her family.</p> <p>(2) 18 years. This limit is raised to 23 years if the child continues his scientific or vocational studies and is therefore unable to earn his living. Children who, owing to infirmity, are unable to support themselves are entitled to a pension for the duration of their incapacity.</p>
Netherlands General scheme	<p>(1) (a) Fatherless legitimate children of an insured man.</p> <p>(b) Motherless legitimate children of an insured woman if they were dependent on their mother.</p> <p>Adopted and legitimised children are treated as legitimate children if they were dependent on the insured person during the year preceding his death or are without support.</p> <p>(2) 14 years.</p>
Miners	(2) 16 years.

Country and scheme	(1) Definition of child, and (2) age limit
Poland Intellectual workers	<p>(1) Legitimate or legitimised children of an insured man or woman.</p> <p>Illegitimate children whose paternity has been established in a court of law are treated as legitimate children. The illegitimate children of an insured woman have the same rights on account of the insurance of their mother as legitimate children. The illegitimate children of an insured man have no right to pension on account of their fathers' insurance unless they were recognised and the father contributed to their support.</p> <p>Adopted children are treated as legitimate children if the adoption took place at least one year before the event entitling their adoptive parents to an invalidity or old-age pension. Stepchildren and grandchildren are treated as legitimate children only if they were actually supported by the insured person for at least one year before the event entitling him to an invalidity or old-age pension.</p> <p>(2) 18 years, raised to 24 years if the child continues his studies. In the case of incapacity due to infirmity the pension is maintained without an age limit.</p>
Workers in Western Provinces	<p>(1) (a) Fatherless legitimate children of an insured man. Orphan grandchildren of an insured man are treated as his own legitimate children if he was responsible for their maintenance and they are in a state of need.</p> <p>(b) Motherless illegitimate children of an insured woman.</p> <p>(c) Motherless legitimate children of an insured woman if the father is dead, or unable to work, or refused to support his family. In the last case the right to pension exists only if the children are in a state of need.</p> <p>(2) 15 years, and in Upper Silesia 18 years.</p>
Miners in Southern Provinces	<p>(1) Legitimate or illegitimate children of an insured man or woman.</p> <p>(2) 16 years.</p>
Miners in Upper Silesia	<p>(1) Legitimate or recognised children of an insured man or woman, if the date of birth satisfies the conditions defined below:</p> <p>(a) If the claim is on account of the insurance of the father, the birth must have taken place before the award of an invalidity pension. Otherwise, the child may claim a pension only if the difference between the ages of his parents was not over 10 years (15 years in certain funds) and his father was in receipt of an invalidity pension for not less than one year since the marriage.</p> <p>(b) If the claim is on account of the insurance of the mother, the birth must have taken place before she ceased to be an employed contributor or within 302 days of such cessation.</p> <p>(2) 16 years: in certain funds, 15 years.</p>

Country and scheme	(1) Definition of child, and (2) age limit
Rumania Miners in Ardeal	(2) 16 years.
Switzerland National scheme	(1) (a) Fatherless legitimate children of an insured man. Adopted children and illegitimate children who have been recognised or whose paternity has been established in a court of law are treated as legitimate children. (b) Motherless legitimate or illegitimate children of a divorced insured woman and illegitimate children of an insured unmarried woman. (2) 18 years.
Uruguay Staffs of public utility undertakings, bank and exchange staffs	(1) Legitimate children of an insured man or woman. Recognised illegitimate children and children whose paternity has been established in a court of law are entitled to a pension so far as they have the right to inherit under the Civil Code. (2) 18 years for sons; 24 years for daughters unless they marry before that age.
U.S.S.R. General scheme	(1) Children of an insured man or woman. (2) 16 years, raised to 18 years if the child continues his studies. There is no age limit if the child is incapable of work.
Yugoslavia Miners	(2) 16 years.

Widowers

Numerous laws include widowers among the persons entitled to pension: *Argentina* (staffs of private undertakings of public utility; bank staffs), *Austria* (salaried employees; workers), *Brazil* (railway and harbour workers), *Cuba* (seamen and harbour workers), *Czechoslovakia* (workers; salaried employees), *France* (workers and salaried employees in Alsace-Lorraine), *Germany* (workers; salaried employees; miners), *Hungary* (general scheme), *Luxemburg* (workers; salaried employees), *Poland* (intellectual workers; workers in Western Provinces and Upper Silesia), *Uruguay* (staffs of public utility undertakings; bank and exchange staffs), *U.S.S.R.* (general scheme). Under all these schemes the widower cannot claim a pension unless he can prove that he is actually unable to earn his living and that for this reason his wife had substantially contributed to his support.

Parents

If parents are included among the persons entitled to pension, they must always be able to prove that they were actually supported by the insured person. They rank equally with the widow under the following schemes: *Argentina* (staffs of private undertakings of public utility; bank staffs), *Brazil* (railway and harbour workers), *Cuba* (seamen and harbour workers), *Uruguay* (staffs of public utility undertakings; bank and exchange staffs), *U.S.S.R.* (general scheme), *Yugoslavia* (miners).

In *Czechoslovakia* (salaried employees) and *Greece* (tobacco workers) parents can claim a pension only if there are no other dependants.

Brothers and Sisters

In a few schemes, most of which fix the total pension payable to the family as a whole, the brothers and sisters of an insured person are in exceptional cases entitled to pension if they were actually dependent on him and satisfy the condition as to age or incapacity required of orphans.

In *Argentina* (staffs of private undertakings of public utility; bank staffs) and *Uruguay* (staffs of public utility undertakings; bank and exchange staffs) only the sisters of the insured person are included among persons able to claim a pension.

In *Brazil* (railway and harbour workers), *Poland* (miners in Southern Provinces) and the *U.S.S.R.* (general scheme) brothers of the insured person are also able to claim a pension.

Further, in *Argentina* (staffs of private undertakings of public utility), and the *U.S.S.R.* (general scheme) brothers and sisters rank with other dependants, whatever the category of the latter, provided that the said brothers and sisters were dependent on the insured person and satisfy the conditions as to age and incapacity. On the other hand, in *Argentina* (bank staffs), *Poland* (miners in Southern Provinces), *Uruguay* (staffs, of public utility undertakings, bank and exchange staffs) the brothers and sisters of the insured person are entitled to pension only if he leaves no widow or orphans.

§ 2. — Computation of Survivors' Pensions

The influence of wages and contribution period on the rate of survivors' pensions is generally determined by the same provisions as are applicable to invalidity pensions.

On the other hand, though children's bonuses to supplement invalidity pensions are not an absolutely general rule, the laws regularly provide for the number of dependent children to be taken into account when the amount of survivors' pensions is being determined. In some cases they grant bonuses attached to the widow's pension, in others orphans enjoy individual rights as such. A maximum for the total of survivors' pensions is then usually fixed, in accordance sometimes with the earnings of the insured person or of a worker in the same wage group, sometimes with the pension which he had or would have received in respect of invalidity or old age.

Some schemes have adopted a different method for computing such pensions; they fix the total amount to which the survivors in all are entitled, regardless of their number, and lay down regulations for the division of this amount among the various survivors should there be several claims.

It will therefore be necessary, in considering each method of computing pensions, to deal with each category of survivors separately. The pension which may be awarded to an invalid widower being of the same rate and computed in the same way as that of a widow, only benefits paid to the survivors as a group or to widows, orphans and parents considered separately, will be analysed and classified according to their components.

METHODS OF COMPUTING SURVIVORS' PENSIONS IN DIFFERENT COUNTRIES

Schemes in which the Pension does not Depend on Wages or on the Contribution Period

(a) *Widow*

Great Britain and Northern Ireland (general scheme), *Poland* (miners in Southern Provinces), *Switzerland* (national scheme).

Great Britain and Northern Ireland (general scheme). — £26 a year.

Poland (miners in Southern Provinces). — 50 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity; guaranteed minimum: 120 zloty a year.

Switzerland (national scheme). — Guaranteed minimum 150 frs. a year.

(b) *Orphans*

Belgium (workers; salaried employees; miners), *France* (general scheme; miners), *Great Britain and Northern Ireland* (general scheme), *Netherlands* (miners), *Poland* (miners in Southern Provinces and Upper Silesia), *Switzerland* (national scheme).

- Belgium* (workers). — Half orphan: 240 frs. a year; full orphan: 480 frs. a year.
- Belgium* (miners). — 360 frs. a year for the first half orphan; 100 frs. for each further half orphan; 720 frs. for each full orphan.
- France* (general scheme). — Guaranteed minimum: 100 frs. a year for each child.
- France* (miners). — 360 frs. a year for each half orphan; 720 frs. for each full orphan.
- Great Britain and Northern Ireland* (general scheme). — £13 a year for the first half orphan; £6 10s. for each further half orphan; £19 10s. for each full orphan.
- Netherlands* (miners). — Half orphan: 36 florins a year; full orphan: 72 florins.
- Poland* (miners in Southern Provinces). — 25 per cent. of the pension which the father received or to which he would have been entitled in case of invalidity; guaranteed minimum: 60 zloty a year.
- Poland* (miners in Upper Silesia). — Half orphan: 132 zloty a year (in certain funds, 90 zloty); full orphan: 174 zloty (in certain funds, 180 zloty).
- Switzerland* (national scheme). — Half orphan: guaranteed minimum, 50 frs. a year; full orphan: guaranteed minimum, 100 frs.

(c) *All Survivors*

- Greece* (tobacco workers). — One-third of the pension which the insured person received or to which he would have been entitled in case of invalidity when there is only one survivor; half of this pension if there are several—1,800 to 2,700 drachmas for survivors of an insured man, 1,500 to 2,250 drachmas for survivors of an insured woman.

Scheme in which the Pension Consists of a Fixed Sum and a Fraction not Dependent on Wages but Varying with the Length of the Contribution Period

- Czechoslovakia* (miners). — (a) Widow: 50 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity. (b) Orphans: half orphan: 25 per cent.; full orphan: 50 per cent., of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Schemes in which the Pension Varies with Wages but is not Dependent on the Length of the Contribution Period

(a) *Widow*

- Netherlands* (general scheme). — The pension amounts to $\frac{6}{5}$ of the basic amount which formed or would have formed part of the husband's invalidity pension, that is to say, $\frac{260 \times 6}{5} = 312$ times the average weekly contribution paid during insurance.

(b) *Orphans*

- Austria* (salaried employees), *Netherlands* (general scheme).

- Austria* (salaried employees). — Half orphan: 12 per cent. of the average salary received by the insured person during the last three years; guaranteed minimum: 180 sch. a year; full orphan: 24 per cent. of the

average salary received by the insured person during the last three years; guaranteed minimum: 360 sch.

Netherlands (general scheme. — The total pension payable to the orphan or orphans together equals $\frac{6}{5}$ of the basic amount which formed or would have formed part of the father's invalidity pension, that is to say, $\frac{260 \times 6}{5} = 312$ times the average weekly contribution paid during insurance.

(c) *All Survivors*

U.S.S.R. (general scheme), *Uruguay* (staffs of public utility undertakings).

U.S.S.R. (general scheme). — The method of computation varies according as the family of the insured person includes at least one full orphan or not.

When he leaves one or more full orphans, the pension payable to the survivors as a whole is as follows:

If there is only one survivor: $\frac{1}{3}$ of the final wage of the insured person;

If there are two survivors: $\frac{2}{3}$ of the final wage;

If there are three or more survivors: $\frac{3}{4}$ of the final wage.

If the family includes no full orphan, the total pension is fixed in accordance with the number of survivors, the rate of wages of the insured person and his place of residence.

For this purpose the territory of the U.S.S.R. is divided into six zones, in which different localities are classified according to the degree of industrialisation and the level of wages, so that districts in which industry is highly developed and wages are very high belong to zone I, and districts where industrialisation has been slight and the rates of wages are lowest belong to zone VI.

The total pension payable to all survivors is then fixed as follows:

	Survivors	Fraction of the final wage
Wages exceeding 60 roubles a month in zones I and II. . .	1	$\frac{2}{9}$
Wages exceeding 45 roubles a month in zones III and IV. .	2	$\frac{3}{9}$
Wages exceeding 30 roubles a month in zones V and VI. . .	3	$\frac{4}{9}$

Uruguay (staffs of public utility undertakings). — 50 per cent. of the pension which the deceased person received or to which he would have been entitled in case of invalidity.

Schemes in which the Pension Varies with Wages and the Length of the Contribution Period

First Group

Schemes in which the pension consists of a fixed sum and a fraction varying with the final wage and the length of the contribution period:

(a) *Widow*

Austria (workers). — 50 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity.

(b) *Orphans*

Austria (workers). — For a half orphan $\frac{2}{8}$ and for a full orphan $\frac{3}{8}$ of the pension which the insured person received or to which he would have been entitled in case of invalidity.

(c) *All Survivors*

Brazil (railway and harbour workers). — The total pension payable to all survivors is fixed at 50 per cent. of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Second Group

Schemes in which the pension consists of a fixed sum and a fraction varying with the amount of contribution paid.

(a) *Widow*

Czechoslovakia (workers; salaried employes), *France* (workers in Alsace-Lorraine), *Germany* (workers; salaried employees; miners) *Hungary* (general scheme), *Luxemburg* (workers; salaried employees), *Poland* (workers in Western Provinces; miners in Upper Silesia).

Czechoslovakia (workers). — The annual pension consists of:

- (1) State subsidy: 250 Kc.;
- (2) Half the basic amount and increments forming part of the pension which the husband received or to which he would have been entitled in case of invalidity.

The pension of a widow who owing to infirmity needs constant attendance is increased by half.

Czechoslovakia (salaried employees). — Half the pension which the husband received or to which he would have been entitled in case of invalidity; guaranteed minimum: 3,000 Kc. a year.

The pension of a widow who owing to infirmity needs constant attendance is increased by half.

France (workers in Alsace-Lorraine). — The annual pension consists of:

- (1) State subsidy: 400 frs.;
- (2) Three-tenths of the basic amount and increments forming part of the pension which the husband received or to which he would have been entitled in case of invalidity.

Germany (workers). — The annual pension consists of:

	RM.
(1) State subsidy	72.00
$\frac{9}{10}$ of basic amount	100.80
Total fixed sum	172.80

- (2) Three-fifths of the increment proportional to contributions and forming part of the pension which the husband received or to which he would have been entitled in case of invalidity.

Germany (miners; salaried employees). — Three-fifths of the pension which the husband received or to which he would have been entitled in case of invalidity.

Hungary (under general scheme). — 50 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity.

Luxemburg (workers). — 50 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity.

Luxemburg (salaried employees). — 60 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity.

Poland (workers in Western Provinces). — The annual pension consists of:

- (1) State subsidy: 50 zloty (in Upper Silesia, 100 zloty);
- (2) Three-tenths (in Upper Silesia, four-tenths) of the basic amount and increments forming part of the pension which the husband received or to which he would have been entitled in case of invalidity.

Poland (miners in Upper Silesia: Tarnowskie Gory fund). — Three-fifths of the pension which the husband received or to which he would have been entitled in case of invalidity.

(b) Orphans

Czechoslovakia (workers; salaried employees), *France* (workers in Alsace-Lorraine), *Germany* (workers; salaried employees; miners), *Hungary* (general scheme), *Luxemburg* (workers; salaried employees), *Poland* (workers in Western Provinces).

Czechoslovakia (workers). — Half orphans one-fifth, and full orphans two-fifths, of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Pensions of orphans above age 14 who owing to infirmity are in need of constant attendance are increased by half.

Czechoslovakia (salaried employees). — Half orphans 25 per cent., and full orphans 50 per cent., of the pension which the insured person received or to which he would have been entitled in case of invalidity; guaranteed minimum: 1,500 or 3,000 Kc. a year according to the case.

Pensions of orphans above age 14 who owing to infirmity are in need of constant attendance are increased by half.

France (workers in Alsace-Lorraine). — The annual pension consists of:

- (1) State subsidy: 200 francs;
- (2) Three-twentieths of the basic amount and increments forming part of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Germany (workers; salaried employees). — Half the pension which the insured person received or to which he would have been entitled in case of invalidity.

Germany (miners). — One-fifth of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Hungary (general scheme). — Half orphans 15 per cent., and full orphans 30 per cent., of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Luxemburg (workers). — 20 per cent. of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Luxemburg (salaried employees). — Half orphans 20 per cent., and full orphans 40 per cent., of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Poland (workers in Western Provinces). — The annual pension consists of:

- (1) State subsidy: 25 zloty (50 zloty in Upper Silesia);
- (2) 15 per cent. (in Upper Silesia, 20 per cent.) of the basic amount and increments forming part of the pension which the insured person received or to which he would have been entitled in case of invalidity.

(c) *Parents*

Czechoslovakia (salaried employees). — 25 per cent. of the pension which the insured person received or to which he would have been entitled in case of invalidity. (The rate remains the same whether one or both parents are survivors.)

Third Group

Schemes in which the pension consists of a fixed sum and a fraction varying with the accumulated value of contributions:

Belgium (miners) and *France* (miners).

Belgium (miners). — The widow's annual pension consists of:

- (1) The free supply of 3,400 kg. of coal;
- (2) A guaranteed minimum pension varying with the age of the pensioner;
- (3) The difference, if any, between this minimum and the proportion of the old-age pension to which the insured person would have been entitled if he had reached the pensionable age.

The guaranteed minimum is fixed at 840 frs. when the widow is under age 60; it rises to 2,400 frs. when she reaches age 60, and to 2,940 frs. when she reaches age 65.

The proportion of the old-age pension reverting to the widow, when the husband and wife are the same age, rises from 35 per cent. when the husband dies before age 41, to 50 per cent. if he dies at or above age 55.

France (miners). — The widow's pension is fixed at 50 per cent. of the old-age pension to which the husband was entitled or to which he would have been entitled if he had reached the pensionable age.

Fourth Group

Schemes in which the pension consists of a fraction varying with wages, but not dependent on the length of the contribution period, and a fraction varying with wages and the length of the contribution period:

(a) *Widow*

Austria (salaried employees), *France* (salaried employees in Alsace-Lorraine), *Hungary* (miners), *Poland* (intellectual workers), *Rumania* (miners in Ardeal), *Yugoslavia* (miners).

Austria (salaried employees). — 50 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity, and at least 30 per cent. of his average salary during the last three years when the widow is over 55 years of age, or is in need of constant attendance.

France (salaried employees in Alsace-Lorraine). — 40 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity¹.

Hungary (miners), *Rumania* (miners in Ardeal), *Yugoslavia* (miners). — 50 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity.

¹ At present the pension includes a temporary allowance of 360 francs a year, the permanent incorporation of which in the pension is contemplated.

Poland (intellectual workers). — 60 per cent. of the pension which the husband received or to which he would have been entitled in case of invalidity.

(b) *Orphans*

France (salaried employees in Alsace-Lorraine), *Hungary* (miners), *Poland* (intellectual workers), *Rumania* (miners in Ardeal), *Yugoslavia* (miners).

France (salaried employees in Alsace-Lorraine). — Half orphans $\frac{1}{10}$, and full orphans $\frac{1}{6}$, of the pension which the insured person received or to which he would have been entitled in case of invalidity¹.

Hungary (miners). — Half orphans 15 per cent., and full orphans 50 per cent., of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Poland (intellectual workers), *Rumania* (miners in Ardeal): — Half orphans 20 per cent., and full orphans 40 per cent., of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Yugoslavia (miners). — Half orphans $\frac{1}{4}$, and full orphans $\frac{1}{3}$, of the pension which the insured person received or to which he would have been entitled in case of invalidity.

(c) *Parents*

Yugoslavia (miners). — 25 per cent. of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Fifth Group

Scheme in which the pension varies with the average wage and the length of the contribution period.

Widow

Poland (miners in Upper Silesia: Pszczyna fund). — Three-fifths of the pension which the insured person received or to which he would have been entitled in case of invalidity.

Sixth Group

Schemes in which the pension varies with the final wage and the length of the contribution period.

All Survivors

Argentina (staffs of private undertakings of public utility; bank staffs), *Uruguay* (bank and exchange staffs).

Argentina (staffs of private undertakings of public utility). — 50 per cent. of the invalidity or old-age pension which the insured person received or to which he was entitled. The widow receives half the pension if there are

¹ At present the pension includes a temporary allowance of 120 frs. a year, the permanent incorporation of which in the pension is contemplated.

children, sisters or parents, the other half being divided equally among the survivors other than the widow. In the absence of parents, sisters and children, the whole pension falls to the widow.

Argentina (bank staffs). — 50 per cent. of the invalidity or old-age pension which the insured person received or to which he was entitled. The widow receives half the pension if there are children or parents, the other half being divided equally among the survivors other than the widow. In the absence of parents and children the whole pension falls to the widow.

Uruguay (bank and exchange staffs). — 50 per cent. of the invalidity or old-age pension which the insured person received or to which he was entitled.

Seventh Group

Schemes in which the pension varies with the accumulated value of contributions.

Widow

Belgium (workers; salaried employees). — The widow's pension corresponds to a percentage of the old-age pension to which the insured person would have been entitled if he had attained the pensionable age.

This percentage varies

- (1) with the age attained by the insured person at his death;
- (2) with the difference in the ages of husband and wife.

If the husband and wife are of the same age, the percentage of the old-age pension payable to the wife rises from 35 per cent. when the husband dies before age 41 to 50 per cent. if he dies at or above age 55.

Maximum Possible Total of Survivors' Pensions

Maximum Fixed in accordance with the Earnings of the Insured Person or of a Worker of the Same Skill

Germany (workers). — 80 per cent. of the wage of a worker of the same skill as the insured person.

Germany (workers in mining undertakings). — 80 per cent. of the average wage of the highest class in which the insured person has contributed.

U.S.S.R. (general scheme). — Three-quarters of the final wage of the insured person when at least one full orphan is among the survivors. In other cases $\frac{1}{2}$ of this wage.

Maximum Fixed in accordance with the Old-Age or Invalidity Pension which the Insured Person Received or to which he was Entitled

Argentina (staffs of private undertakings of public utility; bank staffs), *Brazil* (railway and harbour workers), *Uruguay* (staffs of public utility undertakings; bank and exchange staffs). — 50 per cent. of the normal old-age pension.

Austria (workers), *Czechoslovakia* (workers; salaried employees), *Germany* (salaried employees of mining undertakings), *Hungary* (general scheme; miners), *Luxemburg* (workers; salaried employees), *Netherlands* (general scheme), *Poland* (intellectual workers; miners in Southern Provinces),

Rumania (miners in Ardeal), *Yugoslavia* (miners). — 100 per cent. of the pension to which the insured person would have been entitled if he had benefited for an old-age or invalidity pension at his death.

Czechoslovakia (miners). — 75 per cent. of the pension to which the insured person would have been entitled if he had qualified for an old-age or invalidity pension at his death.

Greece (tobacco workers). — 50 per cent. of the pension to which the insured person would have been entitled if he had qualified for an old-age or invalidity pension at his death.

§ 3.— Forfeiture, Suspension and Lapse of Pensions Rights

The provisions relating to the forfeiture, suspension and lapse of the right to invalidity pensions in case of voluntary intervention of the insured person in the causation of the event insured against, coincident rights to benefits, maintenance at public expense, and failure to fulfil conditions as to nationality and residence, apply equally to survivors' pensions. In addition, however, the pension of a widow (widower) always lapses if she remarries. The only exception is provided by Belgium, where the widow receives a proportion of the accumulated value of the contributions paid; the pension is strictly an annuity and is maintained even in the case of a second marriage.

On the other hand, the limits fixed in the case of coincident rights to an accident pension and a survivor's pension differ in some countries from those applying to invalidity insurance.

In *France* (workers in Alsace-Lorraine), a widow's pension is suspended if the pensioner receives an accident pension also and if the sum of the two amounts is more than three and a half times the basic amount of the invalidity pension. The same applies to orphans' pensions when the sum is three times the basic amount.

In *Germany* (all schemes) the basic amount—i.e. the fixed sum to be paid by the insurance institution—is wholly suspended if the widow benefits by an accident pension consequent upon the death of her husband. Moreover, in worker's insurance, the widow's pension may be combined with an accident pension only if the sum of the two does not exceed half the earnings of an able-bodied worker of the same skill as the insured person and working in the same region. For orphans, the limit is 20 per cent and may rise to 80 per cent. if several survivors have the right to a pension.

In *Luxemburg* the limit for the sum of a survivor's pension and an accident pension is three and a half times the basic amount of the invalidity pension, in the case of a widow or an orphan.

B. — LUMP-SUM PAYMENTS AT DEATH

The payment of a lump sum at death by an insurance institution is intended, according to the law concerned, either to cover funeral expenses or to provide a capital of a certain size which may permit the beneficiaries to adapt themselves to the new economic conditions resulting from the death of the insured person.

Argentina (staffs of private undertakings of public utility). — When the insured person dies without leaving pensions rights to his survivors, the widow or invalid widower or, failing them, the children of brothers and sisters of the deceased person are entitled to a lump sum equal to 5 per cent. of the total wages on the basis of which the insured person has contributed.

Argentina (bank staffs). — When the insured person dies without leaving pensions rights to his survivors, the widow or invalid widower or, failing them, the children or brothers and sisters of the deceased person are entitled to a lump sum equal to as many times the average wage on which the contribution was based as the number of years during which the deceased person has contributed.

Austria (salaried employees). — A lump sum is awarded if the insured person dies without leaving persons entitled to survivors' pensions. This sum is payable to his widow, housekeeper, children under age 18, parents, or orphaned brothers and sisters, in that order of priority.

The amount of the lump sum varies with the duration of insurance and the relationship between the deceased and the survivor. The guaranteed minimum is 6.3 times the average monthly salary during the last three years for a widow, and 3.6 times the same for an orphan.

Austria (workers). — The lump sum payable at death is divided into two parts. It consists of:

- (1) A temporary allowance paid to the widow if the insured person dies before the completion of the qualifying period. This allowance is equal to half the annual invalidity pension which the husband received or to which he was entitled. The payment of the allowance is spread over a year;
- (2) A funeral benefit paid only on the death of an insured person already in receipt of an old-age or invalidity pension. The funeral benefit is payable, in order of priority, to the widow, housekeeper, children of age 16 or less, parents dependent on the insured person, or other persons who have paid the funeral expenses. It amounts to twice the annual pension due after 500 contribution weeks. It is therefore equal to 240 times the daily basic wage, but cannot be less than 288 sch. or more than 2,016 sch.

Belgium (workers). — If the insured person dies without leaving a widow, half the capital representing the pension to which a widow would have been entitled is payable to the children of under age 16 or, failing them, to the parents.

Belgium (salaried employees). — If the insured person dies without leaving a widow and before receiving an old-age pension, $\frac{3}{7}$ of the capital representing the pension to which a widow would have been entitled are paid to the children of the insured or, failing them, to parents or, failing children or parents, to persons designated by the insured person.

If the insured person is unmarried, widowed or divorced at the time when his pension is awarded, and dies without marrying and without exercising his power to use the $\frac{3}{7}$ of the capital representing the pension to which a widow would have been entitled to increase his personal pension, this capital is paid to the survivors in the following order of priority: children, parents, persons designated by the insured person.

Brazil (railway and harbour workers). — The survivors of an insured person who has completed at least five years of service are entitled to a lump sum equal to the sum of the contributions paid by the insured person but not more than, 1,000 milreis.

Czechoslovakia (workers). — A lump sum is payable if the insured person leaves no survivors entitled to a pension either because he dies before the completion of the qualifying period or because the survivors do not fulfil the personal conditions required by the law. The lump sum is payable in the following order of priority: widow or widower; children including grandchildren, children born out of wedlock, adopted children, foster-children and stepchildren; parents; brothers and sisters.

The ascendants or collateral relatives have no right to the indemnity if they were not mainly supported by the deceased person.

If the insured person dies before completion of the qualifying period, the sum depends upon his wage class, as follows:

	Kc.
First class.	550
Second „	600
Third „	650
Fourth „	700
Fifth „	750

When the lump sum is paid instead of a pension because the survivors do not fulfil the conditions necessary for the award of a pension, although the deceased person has completed the qualifying period, it is equal to the yearly amount of the invalidity pension which the insured person received or to which he was entitled; but in no case less than the amounts indicated above.

If the widow or widower obtains a pension under the general old-age, invalidity and survivors' insurance scheme within two years of the death of the insured person, the lump sum is deducted from such pension;

Czechoslovakia (salaried employees). — The allowances at death comprise:

- (a) A funeral benefit paid to the survivors of any pensioner or insured person who dies before the completion of the qualifying period, in the following order of priority: widow or widower, legitimate or illegitimate children, parents, brothers and sisters of the deceased person; the funeral benefit amounts to $\frac{1}{6}$ of the annual pension which the insured person received or to which he would have been entitled in the case of invalidity;
- (b) A lump sum paid to the widow, children, or parents who fulfil the personal conditions required for the payment of a pension but who are not entitled to one because the insured person in respect of whom they are so entitled dies before the completion of the qualifying period; the survivors are entitled to this sum in the following order of priority: widow or invalid widower; children, parents.

When paid to the widow or invalid widower, or to the children, the sum amounts to 150 per cent. of the pension to which the insured person would have been entitled if, at his death, he had completed the qualifying period, and when paid to the parents to 75 per cent. of this pension.

Czechoslovakia (miners). — A lump sum is paid to the widow or children who fulfil the personal conditions required for the payment of a pension but who are not entitled to one because the insured person in respect of whom they would have been so entitled dies before the completion of the qualifying period.

This sum is equal to the total contributions paid without interest and is shared equally among the qualified survivors.

France (general scheme). — The lump sum is paid to the widow or widower or to the descendants or, failing them, to the ascendants who were dependent upon the insured person at his death.

It is fixed at 20 per cent. of the average yearly wage based on the compulsory contributions paid every year up to age 16 if the insured person has not attained this age and from age 16 if he has passed it.

The sum paid cannot be less than 1,000 frs. in the case of an insured person who has regularly paid his annual contributions, nor can it be more than two-thirds of the deceased person's yearly wage. It is in any case increased by 100 frs. for each child of over six weeks and under sixteen years and not earning wages who was dependent upon the insured person, whether this child is legitimate, illegitimate, legitimised or adopted.

France (miners). — Allowances at death are payable to the children under age 16, or, failing them, to the widow, of the insured person.

If the insured person dies in possession of the right to a proportionate old-age pension, acquired after 15 but less than 30 years of work, or if he has had credited to him, during the three years preceding the event to which death was due, an annual average of 160 days of work or leave for sickness or injury, the allowance is fixed as follows:

- 200 frs. if there is one orphan only;
- 250 „ if there are two orphans;
- 300 „ if there are three or more;
- 150 „ to the widow if there is no orphan

If the insured person dies after completing 30 years of work in the mines, or if 792 days of work or leave for sickness or injury have been credited to him during the three years preceding the event to which death was due, the allowance is fixed as follows:

- 700 frs. for the first orphan under age 16;
- 100 „ for each further orphan;
- 600 „ for the widow if there is no orphan entitled to the allowance.

France (salaried employees in Alsace-Lorraine). — The lump sum is payable to persons dependent upon the insured person if he dies after completing the qualifying period but before receiving an old-age or invalidity pension and leaves no relatives entitled to survivors' pensions. It is payable in the following order of priority:

- (a) Relatives of insured women: husband, child, father, mother or brothers and sisters living with her;
- (b) Relatives of insured men: widow, child under age 18.

In all these cases the lump sum amounts to 50 per cent. of the compulsory contributions paid by the insured person.

Germany (miners). — A funeral benefit is due either to the insured person himself in the case of the death of a member of his family (wife or child) or, in the case of the death of the insured person, to the persons dependent upon him or her (widow or widower, descendants, ascendants or collaterals). This indemnity, on which the funeral expenses are the first charge, is not paid if the relatives are in receipt of a funeral benefit, of an at least equivalent amount, from a sickness insurance institution.

In the case of the death of the insured person, the funeral benefit amounts to three months' pension; this is reduced by 40 per cent. in the case of the death of the wife, and by 80 per cent. in the case of the death of a child.

Germany (salaried employees). — A lump sum is payable only to survivors of an insured woman, if the latter dies after having completed the qualifying period, but before receiving an invalidity or old-age pension and without leaving survivors entitled to such pension. It is paid in the following order of priority: husband, children, ascendants or collaterals dependent upon the insured person or to whose maintenance she substantially contributed.

The sum is equal to half the contributions paid from 1924 until the death of the insured person.

Grcece (tobacco workers). — The allowanees at death comprise:

- (a) A funeral benefit paid to the persons who have defrayed the funeral expenses of the pensioner. This indemnity is equal to one month's pension as received by the latter.
- (b) A temporary pension paid for two years to the widow if, not having fulfilled the personal conditions required, she has not the right to the annuity although her husband had completed the qualifying period. This temporary pension is equal to a third of the invalidity pension which the husband received or to which he was entitled at his death.
- (c) A lump sum paid to the surviving relatives if the insured person had paid between 1,500 and 1,800 daily contributions and if his survivors are not thereby entitled to a pension. The lump sum is equal to 50 per cent. of the contributions paid, accumulated at 6 per cent. simple interest.

Hungary (general scheme). — If the insured person dies after completing the qualifying period but without leaving relatives entitled to a pension, any survivors who are infirm or over 65 years of age may, by way of exception and in cases considered worthy, receive a reimbursement of 90 per cent. of the contributions paid by or for the insured person, if they are in need. This indemnity is paid in the following order of priority: father, mother, father-in-law, mother-in-law.

Hungary (miners). — If the insured person dies before completing the qualifying period, his survivors are entitled to payment for a year of the pension to which he would have been entitled if he had completed the qualifying period before his death.

Italy (general scheme). — If the insured person dies before qualifying for a pension, his survivors are entitled to a fixed sum of 300 lire, payment of which is spread over six months.

This sum is paid in the following order of priority: widow or invalid widower, child under age 15.

Netherlands (miners). — In the case of the death of a pensioner or of a pensioner's wife, the pensions fund pays to the widow or widower, or, if there is none, to the children under age 16, a funeral benefit of 50 florins.

Poland (intellectual workers). — A lump sum is paid if the insured person dies before completing the qualifying period necessary for a pension, in the following order of priority: widow, irrespective of age or incapacity, invalid widower in need, children of under age 18 (24 if they are continuing their studies and without age limit if they are infirm), ascendants dependent upon the insured person.

The ascendants are also entitled to the indemnity if the insured person dies after completing the qualifying period but without leaving relatives entitled to a pension.

For the widow, widower and orphans, the sum is equivalent to one year's basic wage on which the contributions were based; for the ascendants, to six months of this wage.

Poland (miners in Southern Provinces). — A funeral benefit is payable either to the pensioner himself in the case of the death of a member of his family (wife or child), or to the pensioned widow in the case of the death of an orphan, or again to the persons who paid the funeral expenses if there is neither widow nor orphan. This benefit amounts to 50 zl. in the case of the death of the pensioner, his wife or his widow, and to 30 zl. in the case of the death of a child.

Poland (miners in Upper Silesia). — A funeral benefit is payable either to the insured person himself in the case of the death of a member of his family (wife

or child), or, in the case of the death of an insured person, to the persons dependent upon him (widow or widower, descendants, ascendants or collaterals). Payment of the funeral expenses is the first charge on this benefit, which is not payable if the relatives are entitled to a benefit, of an at least equivalent amount, from a sickness insurance institution.

The funeral benefit varies from one fund to another and amounts to 50 or 52 zl. in the case of the death of a child, 100 or 104 zl. in the case of the death of the wife or widow of an insured person, and 120 or 124 zl. in the case of the death of the insured person himself.

Rumania (miners in Ardeal). — The survivors of an old-age or invalidity pensioner are entitled to a funeral benefit varying according to the occupational group to which the latter belonged.

The benefit is fixed as follows:

	Lei
In the first group.	4,000
In the second group.	3,500
In the third group.	3,000

Switzerland (national scheme). — A lump sum of 500 frs. is paid to the widow who has not reached age 40 at the death of her husband. This sum is increased by 50 frs. for every year above 40, up to the age of 50.

Widows aged 50 years or more are entitled to a pension and cannot claim the lump sum.

U.S.S.R. (general scheme). — A funeral benefit is paid on the death of employed contributors or pensioners and on the death of a member of their family who was dependent upon them (spouse, children, ascendants, brother or sister).

In the case of the death of an insured person, whether pensioner or not, the benefit is paid to the widow or widower, or, if there is none, to the parents, children or brothers or sisters. In the case of the death of a member of his family the benefit is paid to the insured person.

The funeral benefit varies from 15.75 to 45 roubles, according to the place of residence of the insured person.

Uruguay (bank and exchange staffs). — A lump sum is payable in the following order of priority: widow, children, parents, unmarried sisters.

If the insured person dies before completing the qualifying period, the sum is equal to as many months' salary as he has completed years of service. If the insured person dies after completing the qualifying period, the sum is always equal to six months' salary.

Yugoslavia (miners). — A funeral benefit is payable either to the insured person himself in the case of the death of a member of his family (wife, or child under age 16), or, in the case of the death of the insured person, to the relatives who have paid the funeral expenses.

The following relatives are entitled to the indemnity: widow or widower, children, whether legitimate or not, ascendants, grandchildren, brothers and sisters, provided that they were entirely dependent upon him. If the insured person leaves no survivors or if the latter have not paid the funeral expenses, the sickness insurance fund pays these expenses at a fixed rate and receives the funeral benefit.

In the case of the death of the insured person, the funeral benefit amounts to 30 times his daily wage but at least 1,500 dinars; in the case of the death of a child it varies from 100 to 300 dinars according to the age of the child.

CHAPTER IV

BENEFITS IN KIND

The chief benefits provided under invalidity, old-age and widows' and orphans' insurance schemes are cash benefits in the form of pensions, allowances or lump sums.

A number of insurance schemes also provide benefits in kind, either as a substitute for pensions, or in the form of measures for the prevention or cure of invalidity.

Benefits in kind have been introduced as a means of fulfilling the purpose of insurance as completely as possible and in response to the public demands on social insurance, especially in its relation to population and economic policies.

§ 1. — The Purpose and Nature of Benefits in Kind

The aim of social insurance is to secure for working members of the population in an economically weak position a legal claim to assistance in the event of the reduction or loss of their capacity for work. The system forms a statutory part of labour law and is an aspect of the relationship of master and servant. This relationship is not confined to the mere exchange of work for wages. The insurance contribution develops a spirit of solidarity between worker and employer and preserves their relationship through periods when the former is prevented from working by lack of employment or by incapacity. Insurance contributions serve to develop the social side of the relationship between employer and worker and to safeguard the position of sick, injured and disabled workers, widows and orphans. Thanks to the insurance system, these contributions are preserved and made to fructify. When the event insured against happens, the reservoir of contributions is drawn upon to replace the normal flow of wages by a cash benefit.

These contributions need not, however, necessarily be released in every case in the form of cash payments. They may also take

the form of benefits in kind and should in fact take this form whenever the purpose of insurance can be achieved better thereby than by cash payments.

The persons covered by social insurance are mainly manual workers, but they also include a great number of other employed persons in industry, commerce and agriculture whose means are so slender that cash benefits alone would not be effective. Moreover, insurance institutions, as big consumers' organisations, are easily able to supply benefits in kind, such as medical attention, drugs and other sanitary requisites, at considerably reduced rates and at the same time to improve their quality.

The principle of social insurance is to give insured persons a legal claim to benefit which does not depend on the necessitousness of the recipient, but which, while not exceeding the measure of what is necessary, shall be proper and sufficient. If cash benefits and benefits in kind are compared from this standpoint and from the further standpoint of their efficacy in the numerous cases when adequate and suitable medical treatment and nursing is required to avert or cure invalidity, it will be concluded that benefits in kind are very necessary and should be organically incorporated in the insurance system.

Insurance may be looked upon as organised self-help and collective thrift on the part of the economically weak. This being so, insurance institutions must not only accumulate savings in order to be able to grant assistance when required, but must also see that their funds are economically invested and appropriately spent. The creation of a body of healthy members is the best possible investment, and the pursuit of this aim leads to the introduction and development of benefits in kind. Insurance cannot produce its fullest results by means of cash benefits alone. It is intended to promote the health of the insured population, and if this purpose is to be fully achieved, the available cash resources must be transformed into the necessary and appropriate benefits in kind.

Sickness and invalidity create economic emergencies, and it is a principle underlying the social policy, public and private, of all countries that one should forestall emergencies rather than wait till they have occurred. It is more effective and more economical to prevent sickness than to cure it, and easier and cheaper to take steps to prevent the necessity for assistance from arising than to provide meagre assistance once it has arisen.

The efforts of a number of social insurance institutions, of all

the organs of the national health services and of a growing number of private welfare institutions aim at prevention rather than cure in social welfare work, and have found substantial support in the modern development of clinical medicine along the lines of the early diagnosis and treatment of serious illnesses by means of simple diagnostic and therapeutic methods. Invalidity insurance cannot in the long run afford to neglect this fundamental principle of all social and health policy; it is bound to observe it if it is to fulfil its purpose by methods based on economic principles. This fact has already been recognised by a great number of institutions, which are consequently aiming at the extension to every institution for invalidity insurance of the system of benefits in kind as a means of preventing sickness and promoting health among the insured population.

The principal benefits provided by insurance organisations are pensions, and the right to this form of compensation for the earnings lost through sickness represents to the worker economic security and freedom from anxiety. Insurance has, however, a second purpose: the preservation of the capacity to work as an economic asset. By fulfilling this purpose, insurance performs services equally valuable to itself, to the insured person and to the community. Benefits in kind serve this second purpose by the timely prevention or cure of invalidity.

The real influence of insurance on the insured population is strengthened by the provision of benefits in kind.

The consciousness that he is protected from the degradation of poor relief and that his own livelihood and, in the event of his death, the livelihood of his family, is assured, gives the insured person a sense of security and an incentive to co-operate in the administration of his insurance organisation.

Insurance is based on community of risk and makes heavy demands on the corporate spirit of its members; if this spirit is absent or ineffective, the essential basis of the insurance system is lacking. Insurance cannot be confined to the mere levying of contributions and the payment of benefits in recognised cases of need. As a corporate organisation for the moral and physical welfare of its members it must adopt measures to develop a corporate spirit among them. Such measures include the granting of proper and sufficient benefits in kind at the appropriate time.

The amplification of the system of benefits by the introduction and development of benefits in kind is entirely in harmony with the tendencies of the social insurance movement.

If social insurance, which is one of the fruits as well as one of the supporters of the evolution of the present economic system, is to fulfil its purpose in social policy, it must always adapt itself closely and flexibly to that evolution. It must, for instance, follow the tendency to concentration and amalgamation in industry by concentrating and amalgamating its own organisation, and must respond to the increase in the risks to which its members are exposed by extending the scope of its benefits. The characteristic tendency of modern economic life to vertical concentration in industry, to the amalgamation of the various stages of production and the concentration of different industries at the same stage of production, has its counterpart in the insurance system in the granting of benefits in kind in place of or in addition to cash benefits. Thus, life insurance institutions set up a comprehensive health service; sickness insurance funds operate travelling hospitals, and invalidity insurance institutions provide treatment for in-patients and out-patients, etc.

In the development of almost every kind of insurance, benefits in kind are gaining in importance as compared with cash benefits, not only in commercial insurance but in social insurance institutions as well. Social insurance is, moreover, an important element of social policy, and as such it would be contrary to its principles to content itself merely with the payment of cash benefits.

Invalidity insurance, like sickness insurance, though to a lesser degree than the latter, is a social instrument common to industrial countries, although it varies in form according to the needs and potentialities, legislative tradition and social outlook of the different countries.

The decisive factor in determining the kind and amount of benefits to be provided by insurance is often the need of the individual recipient, but frequently also the hygienic, economic and moral condition of the insured population as a whole. The benefit policy of social insurance institutions does not aim merely at providing immediate help in particular cases of need: it is equally concerned to arrest and combat at their very source all influences harmful to the population. This explains why more and more insurance institutions are beginning to devote themselves to infant and child protection, maternity and family welfare work, sickness prevention (in particular, the prevention of social diseases and illnesses important from the standpoint of society and of insurance finances), improvement of housing conditions, the restoration of sick and injured persons to economic activity, and

to pursue these aims by granting not only cash benefits but also benefits in kind, often in their own institutions.

These and other reasons have led the social insurance institutions in almost all countries to introduce and develop a system of benefits in kind as substitutes for or in addition to cash payments, while insurance cover continues and when the event insured against occurs. As will be seen from the study that follows, the question of benefits in kind has now reached such a stage that it could henceforth be internationally recognised as an integral part of invalidity, old-age and widows' and orphans' insurance.

§ 2. — Provision for Benefits in Kind under National Legislation

Benefits in kind are provided under pensions insurance schemes in the form either of alternatives for the pensions themselves or of treatment for the prevention or cure of invalidity.

ALTERNATIVE BENEFITS

By granting alternative benefits insurance institutions can provide pensioners who are in a helpless condition or are socially irresponsible with a kind of aid more effective than the payment of cash benefits.

They may be granted to persons claiming old-age, widows' or orphans' pensions who are not in a position to use a cash allowance for the social purposes for which it was intended, for instance, inebriates or persons in a physical or mental condition requiring admission to some suitable institution (e.g. delicate or senile people). Alternative benefits may also be granted to agricultural workers when it is customary to pay their wages wholly or partly in kind instead of in cash, and to orphans whom it is advisable to admit to an institution.

Alternative benefits are expressly provided for in Austria, Czechoslovakia, Germany, the Netherlands, Poland and Rumania. There are no express provisions to this effect in other countries, but it is permissible for the insurance institution, with the agreement or at the request of the person to whom benefit is due, to replace cash payment by some other guarantee of economic security.

Benefits in kind are substituted for the pension as a rule at

the request of the insured person or his legal representative. Requests for admission to an institution for the disabled or an orphanage may be made by the person concerned or his guardian as the case may be. In Austria, France (Alsace-Lorraine) and Germany the substitution may also be effected automatically in the case of inebriates, and even of other persons, who may then be partly or entirely deprived of their right to benefit should they refuse to comply. The provisions vary from country to country on points of detail, but those in force for workers' insurance in Germany may be taken as fairly typical. They provide for the granting of benefits in kind in place of cash payments in cases of chronic alcoholism, at the request of a public assistance institution or of the commune in which the person in question lives, or, if he has been placed under guardianship, of his guardian. As regards agricultural workers, the commune is empowered, with the approval of the higher administrative authorities, to adopt regulations for the granting in kind of up to two-thirds of the pension. Such regulations, however, apply only to pensioners living in the district, and only so far as they or the persons responsible for their maintenance receive their wages partly or wholly in kind, in accordance with local custom.

The granting of alternative benefits depends on the decision of the insurance institution, after it has heard the representatives of the commune concerned or the person entitled to benefit. In the case of compulsory substitution the insured person has a right of appeal. If the request for substitution is made by the insured person and refused by the institution, he has the right to appeal to the supervisory authorities.

With the object of procuring benefits in kind for a pensioner who is not admitted to a curative institution, institution for the blind, asylum, home for the disabled, or orphanage, the pension may be paid to a responsible member of his family or to his commune to be spent on his behalf.

Alternative benefits may be granted to the whole or to part of the value of the pension. The insurance institution is responsible for fixing the value of the benefits in kind and the amount of the cash benefit that remains payable. If the insured person is placed in a residential institution, and the expenditure thereby entailed exceeds the amount of the pension, the insurance institution is liable for the additional cost.

When the pensioner is placed in an institution for the disabled, inebriates or orphans, the law allows the insurance institution

to utilise all or part of the pension for this purpose. The residential institution chosen may be one maintained by the insurance institution itself or one with which the latter has contracted. If any of the pension is left over, the money is paid to the pensioner's wife (or husband), his parents, guardian or the commune, to be spent on his behalf.

CURATIVE, HYGIENIC AND PREVENTIVE MEASURES

The health policy of pensions insurance has a triple purpose—the cure of illness, the promotion of health and the prevention of sickness.

Curative measures aim at detecting symptoms of illness in good time, ascertaining their importance to the patient, mitigating his suffering and securing for him the necessary treatment, whether as an in- or an out-patient, in order to effect a complete and rapid cure.

The measures for the promotion of health aim at increasing the insured person's powers of resistance to all factors endangering his health, and spreading information and advice on personal hygiene among the insured persons and their dependants.

The preventive measures are based on the systematic seeking out of cases where intervention is necessary, after ascertaining the state of their health and their economic and domestic situation. Persons whose health is threatened are given hygienic and economic assistance until lasting results are obtained.

These different kinds of measures have been fairly generally introduced as a feature of pensions insurance, and an increasing number of insurance institutions are now extending their activity in this field.

They constitute statutory benefits in the insurance schemes of a great many countries, notably in Great Britain, Poland (intellectual workers) and Yugoslavia. In other countries, such as Austria, France, Germany, Italy, the Netherlands and Poland, the application of such measures by insurance institutions is still optional. Many of these institutions have, however, extended their activities in this field so greatly that by their frequency and scope these measures have practically acquired the character of statutory benefits.

In general, the persons entitled to the benefit of curative, hygienic and preventive measures are the insured workers and their wives, persons drawing pensions, including widows and orphans, the wives of pensioners, and persons who have voluntarily continued their insurance. Children who are not in receipt of an orphan's pension are not always expressly mentioned in the provisions concerning these benefits, but it is the general policy and practice of insurance institutions to extend their application in part or in whole to children.

The aim of these measures is to prevent impending invalidity (preventive work), to postpone it, or cure it when it has actually occurred (curative work). The indication for applying them is the existence of chronic disease, physical infirmity, or the seeds of some disease. It is not indispensable that a complete cure should be expected, but it is sufficient if the outbreak of the disease can be postponed or its effects mitigated. The measures are to be applied whenever it is to be expected that the insurance organisation will be able thereby to effect economies in cash benefits. The health policy may also comprise provisions for increasing physical fitness, even if the health is not directly endangered—provisions which do indeed constitute curative treatment but do not aim at postponing or curing invalidity and are extended also to the dependants of the insured person who have themselves no direct claim on the insurance fund.

In order to fulfil its purpose, the health policy comprises benefits to individuals, and to the body of insured persons, pensioners and their dependants as a whole. Its aims may be attained directly or indirectly by methods which include the promotion of popular education in hygiene, support of housing enterprises, assistance to students for research into medical science and practice.

The nature and period of curative, hygienic and preventive measures is fixed by the insurance institutions (France (Alsace-Lorraine), Germany, Italy, Poland and Yugoslavia) except when the period of the insured person's claim to benefit is unlimited, as in Great Britain.

The expenses of these measures are borne by the insurance institution, which may also reimburse any sums spent by the patient on his own initiative or contribute towards such expenses. The institution may constitute a reserve fund to cover these eventualities and may also make grants to hospitals and curative

tution a sum equal to the cash benefit to which the patient is entitled by law or by the rules of the fund, but only during the period of the curative treatment.

The invalidity insurance institution may, on the other hand, delegate responsibility for the carrying out of the curative treatment and for the other benefits due to the insured person and his dependants, to the patient's sickness fund in such measure as it may think fit. The sickness fund is not thereby relieved of its own responsibilities towards the patient. On the contrary, it can claim from the insurance institution only the reimbursement of the additional expenses it has incurred through fulfilling the latter's instructions. Only when the sickness fund is not liable for benefit at all, or when its liability has expired, is the insurance institution required to reimburse the whole expenditure.

When the invalidity insurance institution authorises the insured person to receive treatment as an out-patient, it has to provide benefits in kind in the form of remedies and appliances (medical attendance, medicines, spectacles, trusses and other minor medical and surgical appliances). If the rules of the patient's sickness fund allow for the provision of major remedies and appliances for disfigurement or deformity necessary after the termination of the curative treatment to restore or maintain the patient's capacity for work, the insurance institution responsible for the curative treatment is also responsible for supplying these benefits. Agreements are, however, sometimes made between sickness funds and insurance institutions providing that should any major appliances be required by the patient to cure actual or avert threatened invalidity (e.g. artificial teeth, artificial limbs, surgical belts, etc.), these should be supplied in the necessary adequate and effective measure and the expenses thereby incurred borne jointly by the sickness fund and the insurance institution.

Treatment other than institutional may also be taken to cover cures in a watering place or health resort if the patient is not placed in a sanatorium or home belonging to the insurance institution or contracting with it.

In-patient treatment is, however, the rule and is provided in institutions which include not only hospitals, convalescent homes and seaside homes, but also institutions for special treatment such as sanatoria, mental homes, institutions equipped with special medical apparatus, and the like; in other words, institutions providing both maintenance and treatment.

The invalidity insurance institutions often set up establishments

of their own or obtain partial or entire control over existing ones. There is, however, no legal obligation to this effect; patients may be admitted to public or private residential institutions. Sanatoria, curative establishments and nursing homes owned or controlled by the invalidity insurance institutions are subject to the supervision of the supervisory authorities competent for the latter.

During the period of their curative treatment patients may frequently also draw cash benefits.

During a period of out-patient treatment, the insured person is entitled to draw sickness benefit, subject to the provisions of the law and the rules of the fund on this point. Normally, however, the patient's title to sickness benefit lapses from the moment when he is admitted to hospital.

The dependants of a sick person who is admitted to an institution for the purpose of receiving curative treatment are allowed home benefit for the period of the treatment if they were wholly or mainly dependent on the sick person's earnings. This provision is obviously inspired by the principle that some compensation for the earnings lost during treatment should be granted to the persons dependent on the earnings of an insured person admitted to a curative institution.

As a general rule, various conditions are attached to the granting of curative treatment. In several countries it depends on the expiry of a qualifying period: $2\frac{1}{2}$ years in the Netherlands; in France, the invalidity of the sick person must be deemed to be still provisional (during the first five years).

Curative treatment may be granted at the request of the insured person or the insurance institution. Once the insurance institution has approved the request and the treatment has begun, the patient may not interrupt it without valid cause.

The insurance institution can advise curative treatment or even compel the insured person to undergo it if his illness is infectious or cannot be properly treated at home; for instance, if it requires a cure in a tuberculosis hospital, or constant supervision, or if the patient's attitude towards the doctor who is treating him is not satisfactory (Germany, Italy, Poland). The patient's consent is also necessary if he is to be admitted to an institution purely in order to be kept under observation for the purpose of an especially careful diagnosis. On the other hand, his consent must first be obtained if his admission to an institution would involve particular hardship or loss to his family, if he is married, lives

with his family, has a home of his own or is a member of his family's household.

Should the insured person refuse to undergo treatment, the current or future benefits due to him may be wholly or partly withheld, but only if he has previously been duly warned of the consequences of his refusal.

§ 3. — The Increasing Importance of Benefits in Kind

A number of countries, especially European countries, are attempting to improve still further the system of benefits in kind, for various reasons, connected in particular with population policy and considerations of industrial economy.

Owing to a falling birth rate and changes in the age distribution of the population, the biological situation of the Western countries has for several decades been undergoing a far-reaching transformation, which is not without serious significance for the social insurance institutions. This phenomenon, which is discussed in detail elsewhere, can here only briefly be touched upon.

During the century preceding the World War, the population of Europe increased much more rapidly than before. In Germany, for instance, where the rate of increase lies between that of the Slav peoples and that of France, and slightly over the European average (50:51), the population trebled between 1816 and 1914. Since about 1880, however, a retrograde tendency in the birth rate has been noticeable both in the towns and the country. Whereas in Germany, for instance, twenty years ago the yearly average of births was 2 million, in 1929 it was not quite 1.150 million and in 1930 1.125 million; that is, there were about 900,000 fewer births than twenty years earlier. This falling off in the birth rate cannot be explained as a mere passing phase due to present economic conditions, but must be considered as a permanent development that has its roots in a profound change in prevailing modes of thought. This view is supported by the fact that the change began long before the war, and by the falling movement of the birth rate among representative social classes and in the country districts, due to restricted possibilities of livelihood and inadequate housing, to the burden that a large family represents, and, not least, to the change of outlook on the subject of marriage and children that has taken place in all

countries and all classes, particularly where the industrialisation of the population and its centralisation in towns has enabled a knowledge of improved contraceptive methods to spread among the people and to produce their full results. The creation of a large proletariat, the reduction of a great proportion of the population of all countries to a condition of social dependence and the consequent narrowing of their lives and restricting of their prospects—all this is concrete evidence of an economic, social and moral transformation that is no longer leading, as formerly, to an increase in the working population, but to a general fall in the birth rate tending to establish a new and lower average level.

The death rate of the European peoples is also tending to fall. After a record low level it has, however, fallen less rapidly during recent years than immediately after the war. In 1925, the French death rate was 17.5 per cent. and the German death rate was much the same. In Germany, however, the fall in the death rate is not keeping pace with that of the birth rate, for the increase of births over deaths, which before the war was from 800,000 to 900,000 per year, has now fallen to 400,000.

The present excess of births over deaths does not represent a real increase in the population, but is an illusion based on the change in the age composition of the population. The European nations are growing older and at the present time some of them even give the impression of ceasing to be growing peoples. Emphasis is now predominantly placed on the productive period of their lives. This may, at first glance, appear advantageous from the industrial standpoint, but in the long run it increases the burden of unproductive old-age pensions funds, while the number of young workers entering industry declines. The extent to which the population is urbanised and the progressive fall of the birth rate influence the force and rapidity of this process and the proportions of the social charges resulting from this extension of life.

This change in the age configuration of the population, which is broadening the top of the pyramid, so to speak, and narrowing its base, is common to the whole of Europe, and is not only of economic and cultural significance to every country, but is also no less important as regards the benefit policy of social insurance institutions, particularly in respect of the importance to be attached to benefits in kind. The aim of the insurance schemes must be to preserve the capacity for work for as long as possible and to postpone for as long as possible the necessity for pensions.

The relationship between the movement of the population and

the labour market also affects social insurance and therefore invalidity insurance as well.

Social insurance has its real roots in industry. It must, therefore, adapt the nature and composition of its benefits primarily to the requirements of industrial employers and workers.

Among the results of industrial progress have been that a very much greater number of persons obtain a livelihood in the same area. Emigration has been checked, the number of employed, as well as of employable, persons has increased; the standard of living has improved, and new forms of wealth and additional capital are being created over and above the requirements of the masses. Hence the increasing share of industrial and productive labour in the national income.

Labour now works shorter hours than before the war and, in consequence of its smaller importance in certain important processes, less intensively, yet the value of the total returns of industrial labour is not less than before the war. The increased amount of labour available, which is relatively greater than the increase in the population itself, is for the most part absorbed by industry. In Germany, industry shows an increase of about 26 per cent. in the number of workers employed and a decrease of about 15 per cent. in the number of hours worked. Everywhere there may be noted an increased use of mechanical power and a decrease in the number of hours worked, while the money value of each hour worked has remained stable, or, in some cases, even risen.

The productive capacity of industry is the resultant of a variety of tendencies. Among these is the particular importance attached to rationalisation, which tends more and more to replace human labour by machinery. In consequence, a larger amount of mechanical power becomes available, nervous energy replaces the physical energy of the workers, industrial labour is said to be becoming "effeminate" and the proportion of salaried employees dependent on the factory and particularly on the office increases. As the worker's task becomes increasingly that of assisting the machine and regulating and supervising its working, as his nervous energy becomes more important than muscular energy and as the proportion of salaried employees increases, the aim and basis of the hygienic and economic mission of the social insurance institution changes with the emergence of each of these new factors. The growing complexity of its task must be balanced by a more complex system of benefits and the payment of cash benefits alone is no longer adequate.

Industry is taking on a new form, which, owing to the pressure exerted by a changing economic order, lacks its former stability. The remedial function of social insurance is indispensable. Social insurance has, therefore, to face a changed situation and to respond to new demands. It cannot perform this task unless the primary condition of the development and extension of benefits in kind in the invalidity insurance system is fulfilled.

PART III

FINANCIAL RESOURCES

INTRODUCTION

Invalidity, old-age and widows' and orphans' insurance requires considerable funds to meet the expenditure for benefits and administration.

In order to provide for the raising of funds, it is necessary to decide what persons or bodies are to share the cost, to fix the form and the amount of their shares, and to take steps to ensure regular payment.

The provisions of the national laws concerning the sources of funds, the assessment of contributions and subsidies and the collection of contributions will be examined in turn.

CHAPTER I

SOURCES OF FUNDS

Insured persons, employers and public authorities may all be called upon to provide the funds necessary for invalidity, old-age and widows' and orphans' insurance.

The portion of the funds provided by the insured persons is levied on their wages or salary when the insurance covers only persons working under a contract of employment or apprenticeship, or on income when it covers also persons working on their own account. In all countries the contribution of the insured person takes the form of a payment made to the insurance institution at regular intervals.

The contribution of the employers takes the form of a supplement to wages or salaries, and is paid not to the insured person, but to the insurance institution.

Finally, many schemes require the public authorities—State, province, commune—to pay a subsidy to the insurance funds. Such subsidies are financed either from the general receipts of taxation or from some specially designated source—certain customs duties, etc.

The choice of persons or bodies who are to supply insurance funds depends first of all on the general nature of the insurance scheme—whether, for instance, it covers wage earners only, or the whole population of a country. The choice is also closely connected with the conception of the purpose of the scheme which was held at the moment when the legislation was drafted. Finally, the determination of the parties responsible for the payment of contributions and subsidies is influenced by the interplay of social and political forces.

The various invalidity, old-age and widows' and orphans' insurance schemes may be divided into five groups, according to the sources of their funds:

GROUP I

Insurance Cost Shared by Insured Persons, Employers and Public Authorities

This group comprises most of the general invalidity, old-age and widows' and orphans' insurance schemes as well as several special schemes for dealing with certain industries. It includes the following:

- Argentina*: staffs of private undertakings of public utility.
- Austria*: workers.
- Belgium*: workers; salaried employees; miners.
- Bulgaria*: general scheme.
- Chile*: workers.
- Cuba*: seamen and harbour workers.
- Czechoslovakia*: workers.
- Denmark*: invalidity insurance.
- France*: general scheme; miners; workers in Alsace-Lorraine.
- Germany*: workers; miners.
- Great Britain and Northern Ireland*: invalidity; old-age and widows' and orphans' insurance.
- Greece*: tobacco workers.
- Hungary*: general scheme; miners.
- Irish Free State*: invalidity insurance.
- Italy*: general scheme.
- Luxemburg*: workers; salaried employees.
- Poland*: workers in Western Provinces; miners in Southern Provinces.
- Rumania* (former Kingdom): general scheme.
- Switzerland*: national scheme.
- Uruguay*: staffs of public utility undertakings.

GROUP II

Insurance Cost Shared by Insured Persons and Employers

This group comprises, with one exception, only special schemes covering certain categories whose rates of remuneration are in general relatively high.

- Argentina*: bank staffs.
- Austria*: salaried employees.
- Brazil*: railway and harbour workers.
- Chile*: salaried employees.
- Czechoslovakia*: salaried employees; miners.
- Ecuador*: bank staffs.
- France* (Alsace-Lorraine): salaried employees.
- Germany*: salaried employees.
- Netherlands*: miners.
- Poland*: intellectual workers; miners in Upper Silesia.
- Rumania* (Ardeal): miners.
- Uruguay*: bank and exchange staffs.
- Yugoslavia*: miners (old age).

GROUP III

Insurance Cost Shared by Employers and Public Authorities

Spain: general scheme.

GROUP IV

Insurance Cost Shared by Insured Persons and Public Authorities

Sweden: national scheme.

GROUP V

Insurance Costs Borne by Employers Alone

Netherlands: general scheme.

U.S.S.R.: general scheme.

Yugoslavia: miners (invalidity).

CHAPTER II

ASSESSMENT OF CONTRIBUTIONS AND SUBSIDIES

Different methods of assessment are adopted for the contributions of insured persons and employers on the one hand, and for the share of the public authorities on the other, and the study of these methods therefore falls into two sections.

A. — CONTRIBUTIONS

In fixing the rates of contributions, the risks covered and the rates of benefits must be considered, on the one hand, and, on the other, the means of the persons required to provide the funds. The means of the great majority of the insured vary with their wages, on which the insurance contributions are levied. Moreover, the contribution rate is also influenced by the degree in which the public authorities share in the cost.

The contributions may either be fixed without regard to the wages or income of the insured person, or vary according to his means. In some schemes contributions are independent of means (flat rate), but vary according to sex or age of entrance. In countries where the law takes the means of the insured into consideration, the relation of the wages or income to the contribution may be exactly the same in all cases (contribution proportional to wages or income of the individual) or approximately the same (contribution fixed according to wage class).

The proportions of the total funds contributed by insured persons, employers and public authorities respectively are largely determined by social and political considerations and vary greatly from State to State. The share of the insured person is often modified in the case of low wage earners, unemployed, sick persons, exempt persons, voluntarily insured persons and persons insured for additional benefits.

§ 1. — Uniform Contributions

The laws providing for equal contributions by all insured persons, whatever their wages or income, are based on the principle that a

subsistence minimum should be assured in the event of the risk materialising. This uniformity may be either absolute or relative. In the former case, the contribution remains unalterable whatever the economic position of the insured person and whatever the degree of the risk. In the latter, the contribution, though independent of the economic position of the insured person, varies with age and sex.

The contribution is fixed at a strictly flat rate in the following countries:

Czechoslovakia: miners (87 Kc. a month).

Netherlands: miners (7.6 florins a month).

Poland (Southern Provinces): miners (at least 6.20 zloty a month).

Rumania (former Kingdom): general scheme (3 lei a week).

Spain: general scheme (4 pesetas a month).

In *Denmark* the rate of the contribution varies with the age of entrance. The legislation on invalidity insurance now in force in this country provides for the following rates:

Persons affiliated at 1 October 1921	.....	4.44	kroner a year
„ entering later below the age of 25	.....	4.44	„ „
„ „ between 25 and 33	.....	5.16	„ „
„ „ between 33 and 40	.....	6.84	„ „
„ „ between 40 and 50	.....	9.24	„ „
„ „ above the age of 50	.....	10.08	„ „

To these must be added the employer's contribution of 4.50 kroner per year.

In *Great Britain* and *Northern Ireland* and the *Irish Free State* contributions vary according to the sex of the insured person. The weekly rates in force in these two countries are as follows:

Great Britain and Northern Ireland:

	Men	Women
Sickness and invalidity insurance	9d.	8 ½d.
Old-age and widows' and orphans' insurance:		
Persons insured against old-age and death . .	9d.	4 ½d.
Persons exempt from old-age insurance by reason of equivalent treatment and only insured against death	7d.	3 ½d.
Persons exempt from invalidity and old-age insurance by reason of their income and only insured against death	7d.	2 ½d.
Persons aged 65 and upwards	9d.	7d.

Irish Free State:

Sickness and invalidity insurance	8d.	7d.
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In *Switzerland*, too, insurance contributions vary according to sex. The annual contribution is 18 francs for a man and 12 francs for a woman. The employer's contribution is 15 francs a year, irrespective of sex.

§ 2. — Contribution Fixed according to True Wages

The establishment of a ratio between the contribution and wages renders it possible to guarantee that the insured person will be able to maintain his standard of life at least in part, if the risks materialise. The height of this standard can only be measured by the rate of remuneration of the insured person. In order that this ratio be exactly observed, it is laid down that each insured person shall pay a certain percentage of his wages as insurance premium against invalidity, old age and death.

The system of contributions proportional to the true wages of the individual has been adopted by a number of insurance schemes covering limited occupational categories, and by a few general schemes dealing with the whole wage-earning population.

The following table shows the percentage of wages paid as insurance contribution under the various schemes:

Country and scheme	Risks covered	Contribution
Argentina: staffs of private undertakings of public utility	Invalidity, old age, death	13% of wages. Permanent employees must also pay one month's salary and the first month's increase if their salary is raised.
Argentina: bank staffs	Ditto.	13% of monthly salaries up to 500 pesos. 14% of monthly salaries from 501 to 1,000 pesos. 15% of monthly salaries from 1,001 to 1,500 pesos. Permanent employees must also pay one month's salary and the first month's increase if their salary is raised.
Austria: salaried employees	Accidents, invalidity, old age, death.	6% of salary from 1 Jan. 1927, plus $\frac{1}{2}\%$ every year for the next four years. After six years, the contribution will be fixed each year by the Minister of Social Administration.
Belgium: salaried employees	Old age, death	7% of salary until 1960. $7\frac{1}{2}\%$ " " " 1975. $7\frac{2}{3}\%$ " " " 1990. 8% " " " from 1991.
Belgium: miners	Invalidity old age, death	7% of wages. This rate may, however, be raised to 8%.

Country and scheme	Risks covered	Contribution
Brazil: railway and harbour workers	Invalidity, old age and death	3% of wages. Insured persons must also pay one month's wages and the first month's increase if their wages are raised.
Chile: workers	Invalidity, old age	6% of wages; 9% in certain industrial regions.
Chile: salaried employees	Invalidity, old age, death	10% of salary. Insured persons must also pay half the first month's salary, the first month's increase if their salary is raised, and $\frac{1}{4}$ of the sums paid under profit-sharing provisions.
Cuba: seamen and harbour workers	Ditto	4½% of wages. Insured persons must also pay the first month's wages and the first month's increase if their wages are raised.
Ecuador: bank staffs	Ditto	10% of salary.
France: general scheme as applicable to agriculture	Old age	2% of basic wage calculated according to the average daily earnings as used for computation of accident compensation.
France: miners	Invalidity, old age, death	11% of wages.
Greece: tobacco workers	Ditto	3% " "
Luxemburg: workers	Ditto	4% " "
Luxemburg: salaried employees	Ditto	10% of salary
Uruguay: bank and exchange staffs	Ditto	17% of salary.
Uruguay: staffs of public utility undertakings	Ditto	11 to 20% of wages according to the undertaking. Insured persons must also pay the first month's increase if their salary is raised.
U.S.S.R.: general scheme of insurance against all risks	Accidents, sickness, invalidity, old age, death	<p><i>Normal Rates</i></p> <p>Undertakings grouped according to degree of risk:</p> <p>Group 1: 16% of wages.</p> <p>" 2: 18% " "</p> <p>" 3: 20% " "</p> <p>" 4: 22% " "</p>

Country and scheme	Risks covered	Contribution
U. S. S. R. (contd.)	Accidents, sickness, invalidity, old age, death	<p style="text-align: center;"><i>Reduced Rates</i></p> <p>Undertakings financially connected with the State or local authorities. Establishments wholly or partly run by special funds. Establishments supplying postal, communication, transport services, etc:</p> <p>Group 1: 10% of wages. " 2: 12% " " " 3: 14% " "</p> <p>Agricultural undertakings pay 22, 10 or 6% of salary according to the economic and social position of the employer.</p>

Contributions proportional to the individual wages or salary of the insured person may be calculated on the whole of such remuneration or only on such part of it as does not exceed a maximum fixed by national legislation. Such limits have been fixed by the following States:

Argentina: staffs of private undertakings of public utility, 1,000 pesos a month; bank staffs, 1,500 pesos a month.

Austria: salaried employees, 400 sch. a month.

Cuba: seamen, 500 pesos a month.

France: miners, 12,000 frs. a year.

Luxemburg: salaried employees, 7,200 frs. a year.

§ 3. — Contribution Fixed according to Wage Classes

In a large number of schemes considerations of administrative simplicity have led to the abandonment of the system of a strict ratio between contributions and true wages, salaries or revenues. Insured persons are then arranged in a number of classes according to their rate of wages or income, and all persons within a given class pay the same contribution, which is calculated on a "basic wage". This corresponds to the maximum or to the minimum wage of each class or to an average between them, according as the law prescribes.

If such a system is to be rational, the number and the limits of the classes must be judiciously fixed on the basis of the actual distribution of the insured persons by remuneration or income. The greater the number of classes, the more the system resembles that of proportionality to true wages, and the more complex the task of determining the contribution to be paid by each class. The

determination of the number of classes is therefore the result of a compromise between considerations of administrative simplicity and of a sufficiently exact classification of wages.

Below will be found a table of those schemes which provide for wage and income classes, showing the basic wage and the rate of the contribution.

Country, scheme and risks covered	Wage (or income) classes	Rate of contribution
Austria Workers (Invalidity, old age, death)	1. Up to 7.2 sch. weekly 2. 7.2-10.8 " " 3. 10.8-14.4 " " 4. 14.4-18.0 " " 5. 18.0-21.6 " " 6. 21.6-28.8 " " 7. 28.8-36.0 " " 8. 36.0-43.2 " " 9. 43.2-50.4 " " 10. Above 50.4 " "	Weekly 14.8 gr. 22.2 " 33.3 " 44.4 " 55.5 " 66.6 " 88.8 " 111.0 " 133.2 " 155.4 "
Bulgaria General scheme (Invalidity, old age, death)	1. Up to 15 leva daily 2. 16-30 " " 3. 31-45 " " 4. 46-60 " " 5. 61 leva and above "	Weekly 4.50 leva 6.00 " 7.50 " 9.00 " 12.00 "
Belgium Workers (old age, death)	1. Up to 50 frs. weekly 2. 50.01- 75 " " 3. 75.01-100 " " 4. 100.01-125 " " 5. 125.01-150 " " 6. 150.01-175 " " 7. 175.01-200 " " 8. Above 200 " "	Monthly 5 frs. 7 " 10 " 13 " 16 " 19 " 22 " 25 "
Czechoslovakia Workers (invalidity, old age, death)	1. Up to 60 Kc. weekly 2. 60- 84 " " 3. 84-132 " " 4. 132-171 " " 5. 171 and above "	Weekly 2.60 Kc. 3.60 " 5.10 " 6.60 " 8.40 "
Salaried employees (Invalidity, old age, death)	1. Up to 3,000 Kc. yearly 2. 3,000- 6,000 " " 3. 6,000- 9,000 " " 4. 9,000-12,000 " " 5. 12,000-15,000 " " 6. 15,000-18,000 " " 7. 18,000-24,000 " " 8. 24,000-30,000 " " 9. 30,000-36,000 " " 10. 36,000-42,000 " " 11. Above 42,000 "	Monthly 12 Kc. 36 " 66 " 96 " 120 " 150 " 170 " 190 " 210 " 230 " 250 "
France ¹ General (sickness, invalidity, old age, death)	1. 1 to 2,399 frs. yearly 2. 2,400-4,499 " " 3. 4,500-5,999 " " 4. 6,000-9,599 " " 5. 9,600 and above "	Weekly 3 frs. 6 " 9 " 12 " 20 "

¹ The amount of the contribution, in principle 10% of the basic wage, will be maintained at 8% until 1 April 1934 and at 9% from 1 April 1934 to 1 April 1940.

Country, scheme and risks covered	Wage (or income) classes	Rate of contribution
France (contd.)		
Workers in Alsace-Lorraine (invalidity, old age, death)	1. Up to 3,600 frs. yearly 2. 3,600-6,000 " " 3. 6,000-9,000 " " 4. 9,000-12,000 " " 5. Above 12,000 " "	Weekly 1.60 frs. 2.70 " 4.00 " 5.30 " 6.60 "
Salaried employees in Alsace-Lorraine (Invalidity, old age, death)	1. Up to 3,600 frs. yearly 2. 3,600-4,800 " " 3. 4,800-6,000 " " 4. 6,000-7,500 " " 5. 7,500-9,200 " " 6. 9,200-11,000 " " 7. 11,000-13,000 " " 8. 13,000-15,000 " " 9. 15,000-18,000 " "	Monthly 15 frs. 21 " 27 " 33 " 41 " 50 " 60 " 70 " 80 "
Germany		
Workers (invalidity, old age, death)	1. Up to RM. weekly 2. 6-12 " " 3. 12-18 " " 4. 18-24 " " 5. 24-30 " " 6. 30-36 " " 7. 36 and above "	Weekly 25 pf. 50 " 70 " 100 " 120 " 140 " 200 "
Salaried employees (Invalidity, old age, death)	1. Up to 50 RM. monthly 2. 50-100 " " 3. 100-200 " " 4. 200-300 " " 5. 300-400 " " 6. 400-500 " " 7. 500-600 " " 8. Above 600 "	Monthly 2 RM. 4 " 8 " 12 " 16 " 20 " 25 " 30 "
Italy		
General scheme (invalidity, old age, capital at death)	1. Up to 12.50 lire weekly 2. 12.50-25.00 " " 3. 25.00-37.50 " " 4. 37.50-50.00 " " 5. 50.00-62.50 " " 6. 62.50-and above "	Weekly 0.50 lire 1.00 " 1.50 " 2.00 " 2.50 " 3.00 "
Netherlands		
General scheme (Invalidity, old age, death)	1. Up to 240 fl. yearly 2. 240-400 " " 3. 400-600 " " 4. 600-900 " " 5. 900 and above "	Weekly 0.25 fl. 0.30 " 0.40 " 0.50 " 0.60 "
Poland		
Workers in Posnanian and Pomorze (Invalidity, old age, death)	1. Up to 500 zl. yearly 2. 500-700 " " 3. 700-900 " " 4. 900-1,200 " " 5. Above 1,200 zl. "	Weekly 0.30 zl. 0.45 " 0.60 " 0.75 " 0.90 "
Workers in Upper Silesia ¹ (Invalidity, old age, death)	1. Up to 660 zl. yearly 2. 660-960 " " 3. 960-1,320 " " 4. 1,320-1,620 " " 5. 1,620-1,980 " " 6. Above 1,980 " "	Weekly 0.40 zl. 0.80 " 1.30 " 2.70 " 2.10 " 2.50 "

¹ The Insurance scheme in Polish Upper Silesia is the same as that in force in the provinces of Posnanian and Pomorze. The different classification and the higher level of contributions in Upper Silesia are due to the fact that the benefits are higher in that province.

§ 4. — Sharing of Contribution by Insured Persons, Employers and Public Authorities

The proportions in which contributions are to be shared among insured persons, employers and public authorities cannot be determined by any objective standard. The actual solution of this problem depends in every country on numerous economic and political factors—predominating social conditions, the strength of trade organisations, the composition of parliamentary majorities, the examples provided by foreign countries, etc.

The great majority of the laws in force charge the contribution to insured persons and employers. As a rule, it is shared equally between them, but in some countries a larger proportion is paid by one party or the other. The distribution can also vary according to the age of entrance or with the economic position of the insured person.

The contributions are shared by other combinations of parties in certain countries. While in some they are shared by insured persons, employers and public authorities, in others only the insured persons are responsible, in others again employers only. Finally, in one State the contributions are shared by employers and public authorities.

The following table shows how the contributions are distributed in the different countries:

Country and scheme	Sharing of contributions		
	Insured persons	Employers	Public authorities
Argentina			
Staffs of private undertakings of public utility	$\frac{5}{13}$	$\frac{8}{13}$	0
Bank staffs:			
Salary up to 500 pesos per month	$\frac{5}{13}$	$\frac{8}{13}$	0
From 501 to 1,000 „ „ „	$\frac{3}{7}$	$\frac{4}{7}$	0
From 1,001 to 1,500 „ „ „	$\frac{7}{15}$	$\frac{8}{15}$	0
Austria			
Workers	$\frac{1}{2}$	$\frac{1}{2}$	0
Salaried employees	$\frac{1}{2}$	$\frac{1}{2}$	0
Belgium			
Workers	$\frac{1}{2}$	$\frac{1}{2}$	0
Salaried employees ¹	$\frac{3}{7}$	$\frac{4}{7}$	0
Miners	$\frac{3}{7}$	$\frac{4}{7}$	0
Brazil			
Railway and harbour workers . . .	1	0 ²	0

¹ Proportions fixed until 1930.

² The employers contribute to the funds by paying in 1½ per cent. of the gross revenue of the undertakings.

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§ 5. — Sharing of Contributions in Special Cases.

The sharing of contributions among insured persons, employers and public authorities, as summed up in the above table, cannot be maintained in the same proportions in all cases. It frequently occurs that insured persons, because of the weakness of their economic situation or some other reason, such as unemployment or illness, cannot bear their share of the burden. In these circumstances they are in many countries freed from all obligation, while in others their share is reduced. A different distribution is also necessary in the case of persons who insure voluntarily or who wish to cover extra risks, as also in that of wage earners for whom insurance is not compulsory.

The following is a summary of the position adopted by national legislation in these particular cases.

INSURED PERSONS NOT PAID IN CASH

Persons not remunerated in cash, and who in general are only entitled to benefits in kind of slight importance, are not in a position to provide their fraction of the funds. In consideration of the weak economic position of this group of workers, employers under many schemes are required to take over the whole responsibility of payment. This is the case, for example, in *Austria* (workers), *Czechoslovakia* (workers; miners), *Great Britain* and *Northern Ireland* (invalidity, old-age and widows' and orphans' insurance) and the *Irish Free State* (invalidity insurance).

INSURED PERSONS WITH LOW WAGES

The position of insured persons with low wages resembles closely that of workers remunerated only in kind. Like the latter, they are, in the majority of cases, incapable of making their contribution. Under several systems of legislation therefore they are completely freed from obligation, the whole responsibility of payment being imposed on employers, while other laws are content to lessen the contribution due from certain poorly-paid categories.

Among the schemes which exempt low wage earners from all contribution to the funds of insurance institutions, and impose on employers the whole responsibility of payment, the following may be noted: *Germany* (workers): persons earning less than 6 RM. a

week; *Germany* (salaried employees): persons earning less than 50 R.M. a month; *Great Britain* and *Northern Ireland* and the *Irish Free State* (invalidity insurance): persons not less than eighteen years of age earning not more than 3 shillings a day; and *Poland* (intellectual workers): persons earning not more than 60 zloty a month.

A reduction of the contributions due from low wage earners to insurance institutions is provided for in the invalidity insurance scheme in *Great Britain* and *Northern Ireland* and the *Irish Free State* (persons receiving from 3 to 4 shillings a day), and in the old-age and invalidity insurance scheme in *Italy* (agricultural workers paid by the day).

APPRENTICES

Persons bound to their employers by a contract of apprenticeship, implicit or explicit, are as a rule exempt from all contribution to insurance funds. In the following countries, for instance, *Austria* (workers), *Bulgaria* (apprentices receiving less than 15 levas a day), *Chile*, *Czechoslovakia* (miners), *Germany* (workers; salaried employees) and *Rumania* (former Kingdom, apprentices above the age of sixteen and not paid in cash), the whole of the contribution for the insurance of this type of worker is paid by the employer.

UNEMPLOYED

The regular payment of insurance contributions may be endangered by the unemployment of the insured persons. Economic depression also affects the position of the unemployed, for the interruption of payments deprives them, after a certain period, of their status as insured persons. In order to counteract the effects of unemployment on insurance institutions and to safeguard the rights of the unemployed, several systems of legislation have provided that weeks of unemployment shall be regarded as weeks of contribution, or have arranged for the payment of the contribution or of a part of it by other institutions—unemployment insurance funds, for instance.

The legislation of *Great Britain* and *Northern Ireland* (invalidity, old-age and widows' and orphans' insurance), the *Irish Free State*, *Italy* and the *Netherlands* (general scheme) provides that weeks of unemployment shall be regarded as weeks of contribution in certain circumstances.

In other countries, however, the law requires the payment of a

certain number of contributions, without which the unemployed worker does not retain the status of insured person. This payment is made in *France* by the General Guarantee Fund, which manages the funds for the payment of contributions for unemployed insured persons, and in *Germany* by the Federal Unemployment Insurance Institution.

SICK INSURED PERSONS

Sick persons, if deprived of their wages, are not in a position to make their contributions. As a rule, such persons and their employers are freed for the whole period of incapacity from the obligation to contribute to the funds of invalidity, old-age and widows' and orphans' insurance. In order, however, that they may remain insured and that their right to benefit be not affected, numerous laws provide that the weeks of sickness shall be regarded—as in the case of unemployment—as weeks of contribution, or that invalidity or sickness insurance institutions be obliged to contribute wholly or in part instead of the insured persons.

Particular instances of this policy regarding periods of sickness are to be met with in the legislation in *Bulgaria*, *Czechoslovakia* (workers), *France* (workers in Alsace-Lorraine), *Germany* (miners), *Great Britain* (invalidity, old-age and widows' and orphans' insurance), *Hungary* (general scheme), the *Irish Free State*, the *Netherlands* and *Poland* (workers in Western Provinces).

Under certain other schemes payments made by other insurance institutions are credited to sick insured persons. In *France* (general scheme), for instance, when an insured person has been sick for more than fifteen days, the sickness insurance fund pays on his behalf one-half of the contribution due to cover old age for every day of sickness, beginning with the 16th. The French Miners' Insurance Act stipulates that in case of sickness the provident society to which the miner is compulsorily affiliated shall pay the Autonomous Fund, on behalf of the insured person, 5 per cent. of the total sickness benefit. In *Italy*, during periods of sickness, the National Fund credits the insured person's account with the contribution corresponding to the first wage class.

VOLUNTARY INSURANCE

The sharing of contributions between insured persons, employers and public authorities must be regarded in a new light whenever the affiliation depends solely on the will of the insured person.

The employer is freed from the obligation to contribute, and this is then the duty of the insured person, although in some countries the public authorities contribute a share and thus encourage voluntary insurance.

The contributions due from voluntarily insured persons may be fixed at a rate equal to that prescribed for compulsory insurance. This is the case in *Bulgaria*, *Czechoslovakia* (workers), *Germany* (workers), *Great Britain* and *Northern Ireland*, *Irish Free State* and *Poland* (workers in Western Provinces and Upper Silesia). The legislation may also fix a minimum and a maximum contribution, or a percentage of the rate of remuneration or income as contribution, as in *Belgium* (workers), *Chile*, *France* (general scheme), *Hungary* (general scheme), *Italy* and *Spain*.

ADDITIONAL INSURANCE

Additional insurance permits the insured person to receive, should the event insured against happen, a benefit higher than that paid in respect of the normal contributions. As in voluntary insurance, the insured person has himself to provide that part of the contribution which exceeds that which the law demands, while the sharing of the latter between insured person, employer and public authorities remains unaltered. Additional insurance is provided for both in countries—such as *Spain*—where the rate of contribution is independent of the economic position of the insured person, and in countries which accept the principle of a ratio between rate of remuneration or income and the rate of contribution. When workers are divided into wage classes, the law may authorise a worker to pay the contributions fixed for a class higher than his proper one. He must then bear the whole difference between the contribution of his proper class and that of the higher class he has chosen. This is the case in *Belgium* (workers), *France* (workers in Alsace-Lorraine), *Germany*, *Netherlands* (general scheme) and *Poland* (workers in Western Provinces and Upper Silesia).

WAGE EARNERS EXEMPT FROM COMPULSORY INSURANCE

When the employer is bound to contribute to the funds of insurance institutions, there is a danger that the groups of wage earners who are exempt from liability to insurance may enjoy a certain advantage on the labour market. Employers might indeed be tempted to prefer non-insurable persons to those for whom insurance contributions have to be paid. In order that the former group be not

unduly favoured, a number of laws compel employers to pay contributions for certain categories of workers who are themselves exempt from the obligation:

France: general scheme. Non-insured wage earners whose rate of remuneration a year exceeds the maximum limit but does not amount to 25,000 frs. per annum.

Germany: workers. Foreign seasonal workers.

Great Britain and Northern Ireland: invalidity, old-age and widows' and orphans' insurance. Persons exempt from invalidity and old-age insurance by reason of private income, etc., and persons aged 65 years and over.

Luxemburg: workers. Workers residing temporarily in the Grand Duchy.

B. — SUBSIDIES FROM PUBLIC AUTHORITIES

The financial participation of public authorities is justified by the inadequacy of the provident effort of which the insured population is capable, by reason of its weak economic position. The forms of such participation are many and varied, and arise out of the differences between the financial systems chosen, the policy adopted by parliaments and governments in respect of public subsidies, the power and influence of trade organisations, the state of the public exchequer, and the example given by foreign legislation.

As a rule subsidies are granted by public authorities without limitation in time. They are nevertheless intended in certain cases simply to set the scheme on its feet, to enable the institution to pay sufficient benefits to insured persons who have not been able to contribute long enough to acquire the right to them, or again to meet exceptional circumstances. Provision is made for such subsidies in *France* (general scheme) and the *Netherlands*, and in the *German* workers' insurance scheme (subsidies to supplement pensions affected by the inflation).

The participation of the State, province or district may take the form of a subsidy to the revenue of an institution, or a share of the expenses incurred for benefits or administration. In most countries these different forms of participation exist side by side. They are briefly discussed in the following paragraphs, after which mention is made of the distribution of the burden among the different public bodies.

§ 1. — Subsidy to Revenue

The subsidy granted by public authorities to an institution's revenue may take the form of a contribution proportional to the

remuneration or income of the insured persons, or that of a sum not earmarked for any special purpose. In some countries insurance funds are made up to the necessary level by allocating to them the proceeds of some particular tax or duty.

(a) *Bulgaria, Chile and Spain* are countries in which public authorities pay a certain proportion of the contribution.

In *Bulgaria* the State undertakes to pay into the insurance funds a contribution equal to one-half of the joint contributions received from insured persons and their employers. In *Chile* the State contribution is equal to 1 per cent. of the basic wage of insured wage earners and 3½ per cent. of the income of persons voluntarily insured or working on their own account. In *Spain* the contribution of the public authorities equals one-third of that of employers (12 pesetas a year).

(b) Subsidies not earmarked for any special purpose are provided for in *France, Hungary and Rumania*.

In *France* (general scheme) the State is to pay into the General Guarantee Fund a sum equal to the obligations which it assumes under the Act on workers' and peasants' pensions, as well as the savings made on poor-law administration, and a proportion of the dues paid to the State by the Banque de France and of that part of the product of the gaming duties received by the Exchequer. In *Hungary* the State has engaged to pay into the insurance fund annually, as from 1933-1934, a sum of 4,000,000 pengö, which is to increase by 5 per cent. until 1983-1984, when it will remain stationary. In *Rumania* (former Kingdom) the subsidy due from the State has been fixed at 15,000,000 lei a year.

(c) In some Latin-American countries—*Brazil, Chile and Uruguay*—the product of certain duties is allocated to pensions insurance.

In *Brazil* the State authorises railways and harbours to levy a special tax of 2 per cent. on all sums paid by the public and to devote the proceeds to the insurance of their staffs. In *Chile*, the law earmarks for insurance funds the proceeds of a tax of one per cent. on all payments made by the State or by local authorities, with the exception of the service of the foreign debt.

In *Uruguay* funds for the insurance of staffs of public utility undertakings, etc., are partly provided by the proceeds of a tax levied on utilisers of the services in question. In the same way the insurance of bank and exchange staffs benefits by the proceeds of a tax of ½ per 1,000 on all bank and exchange operations.

§ 2. — Share of Expenditure

Public authorities can take on themselves either a proportion of the cost of benefits or the total cost of a certain class of benefits. They can either increase the pensions given by invalidity, old age and widows' and orphans' insurance institutions, or improve benefits in kind. Finally, in many countries, they contribute to the administrative expenses.

(a) *Belgian, Danish, British, Irish, Italian and Luxemburg* legislation requires the State to bear a proportion of the cost of benefits.

In *Belgium* the legislation on insurance against old age and premature death (workers; salaried employees; miners) provides that the State shall pay half the cost of old-age pensions up to a maximum of 1,200 francs per pension and year, on condition that such pensions are not payable before the age of sixty-five. If a pension is paid before this age, the State contribution is lower.

In *Denmark* the public authorities are bound to supplement the sums constituted by the contributions of insured persons and employers for the payment of invalidity benefits, the rate of which is uniform for all beneficiaries.

An analogous principle is included in the legislation on sickness and invalidity insurance in force in *Great Britain and Northern Ireland* and the *Irish Free State*. In the former country the State provides one-seventh of the cost of benefits paid to men and one-fifth of those paid to women; in the latter the public authorities assume two-ninths of the cost of benefits irrespective of sex.

The *British* legislation on old-age and widows' and orphans' insurance stipulates that the public authorities shall pay into insurance funds an annual sum to assist in covering the cost of pensions other than those paid to persons of seventy years of age or more—a sum fixed at £9,000,000 in 1930-1931, and which will rise gradually to £21,000,000 in 1942-1943, these being the amounts estimated to be required to maintain the solvency of the funds.

In *Italy* the public authorities undertake half the cost of the allowance due to the survivor of an insured person dead before he has qualified for a pension. In *Luxemburg* the State reimburses to the institution one-third of each pension actually granted. Finally, in *Switzerland* the Confederation puts at the disposal of the insurance fund of each canton a sum equal to 80 per cent. (in some cases 85 per cent.) of the old-age and survivors' pensions paid by

the latter in the course of the year. The canton is then bound to pay into the same fund one-quarter of the sum provided by the Confederation. The participation of the public authorities increases benefits paid to persons of Swiss nationality only. Such increases are graduated according to the income and property of the beneficiaries.

(b) The payment by the State of the whole of certain insurance benefits is provided for in *British* and *Swedish* legislation. In *Great Britain* (old-age and widows' and orphans' insurance) the public authorities take over in its entirety the cost of old-age pensions paid to persons of seventy years or over. In *Sweden* they pay the whole of the bonus granted to pensioners who are invalids and have not an income above a legal minimum.

(c) The method of participation in the cost of benefits most frequently adopted by public authorities is the payment of supplements to pensions. Such supplements are provided for by legislation in the following States:

Austria (workers): 6 sch. a month for each invalidity and old-age pension; 3 sch. a month for each widow's or widower's pension; 1.50 sch. amonth for each half-orphan's pension; 2.25 sch. a month for each full orphan's pension; 1 sch. a month for each child.

Czechoslovakia (workers): 500 Kc. a year for each invalidity and old-age pension; 250 Kc. for each widow's or widower's pension; 100 Kc. for each half-orphan's pension; 200 Kc. for each full orphan's pension.

France (workers in Alsace-Lorraine): 500 frs. a year for each invalidity, old-age or widow's pension; 250 frs. for each orphan's pension.

Germany (workers): 72 RM. a year for each widow's or widower's pension; 32 RM. a year for each orphan's pension.

Italy (general scheme): 100 lire for each pension.

Poland (workers in Western Provinces and Upper Silesia): 50 zloty (in Upper silesia, 100 zloty) a year for each invalidity and old-age pension; 25 zloty (in Upper Silesia, 50 zloty) for each orphan's pension.

An analogous principle is comprised in the new *French* legislation, which obliges the public authorities to pay insurance institutions sums sufficient to guarantee the minimum old-age pension to wage earners between the ages of sixty and sixty-five at the date of enforcement who nevertheless desire to cover the risk of old age.

(d) The public authorities may not only contribute to the cost of cash benefits but may also make payments intended to raise the standard of benefits in kind. Such subsidies are provided for in *Germany* (workers) where the State earmarks Customs duties to the value of 20 million RM. a year for the needs of the medical service of the invalidity, old age-and survivors' insurance scheme.

(e) Public authorities do not confine themselves to contributing to the cost of benefits, but also share the expense of the administration and judicial procedure of the various schemes.

The contributions of public authorities to administrative expenses may take one of the following forms:

- (1) Assumption of all such expenses (*Great Britain and Northern Ireland*, old-age and widows' and orphans' insurance; *Greece*, tobacco workers; *Netherlands*, general scheme during transitional period; *Sweden*, national scheme), or central administrative expenses only (*Denmark*, invalidity insurance), or again a proportion of the total administrative expenses (*Great Britain and Northern Ireland* and *Irish Free State*, invalidity insurance; *Hungary*, general scheme and miners; *Luxemburg*, workers).
- (2) Assumption of cost of supervision (*Germany*, workers; *Irish Free State*, invalidity insurance).
- (3) Assumption of the costs of insurance courts (*Germany* and *Czechoslovakia*, workers).
- (4) Free use by the institutions of certain public services—post office, office room, etc. (*Germany* and *Luxemburg*, workers).
- (5) Admission of the institutions to various financial privileges, exemption from taxation, etc. (*Czechoslovakia*, workers; *Switzerland*, national scheme).

§ 3. — Distribution of Charges among Various Public Bodies

As a rule public subsidies are borne exclusively by the State, but in some countries a proportion is paid by provinces, localities, etc. In *Denmark* two-fifths of the public subsidies are provided by the communes; in *France* (general scheme) the departments and communes are bound to pay to insurance funds one-half of the savings made on poor-law administration; in *Germany* the individual States bear the cost of insurance offices and undertake the exchange of insurance cards; in *Luxemburg* the legislation on workers' insurance provides that the State shall pay one-third of the cost of each pension granted, the commune of settlement of the beneficiary having to reimburse 20 per cent. of such payment; in *Sweden* three-quarters of the bonuses are paid by the State, one-eighth by the provincial councils, and one-eighth by the communes; in *Switzerland* the national scheme provides that the Confederation shall contribute 80 per cent. of the supplementary benefits paid during the year, the cantons providing one-quarter of the sum paid by the Confederation.

CHAPTER III

COLLECTION OF CONTRIBUTIONS

The regular and uninterrupted payment of contributions by insured persons, employers and public authorities is necessary for the efficient working of insurance and for the maintenance of a strict equilibrium between the receipts and expenses. The collection of the contributions due from the State, local authorities, etc., does not as a rule offer any difficulty; but sums due from insured persons and employers can only be regularly collected if the legislation makes special provision to facilitate such collection. The two following paragraphs deal with the different measures for enforcing payment and with the methods of discharging the obligation.

§ 1. — Means of Enforcing Payment of Contributions

The difficulty of collecting contributions arises principally out of the large number of persons in the debt of the institutions and the frequency of the payments due from employers and insured persons. The ordinary methods of summons and distraint are insufficient to guarantee regular payment, and the legislature generally finds it necessary to take special measures in order to make the legal obligation effective.

If the employer or the insured person alone is bound to contribute, regular payments may be enforced by severe penalties—particularly in the cases of legislation in the *Netherlands*, *Spain*, *Sweden* and *U.S.S.R.*

If, on the other hand, employer and insured person share the obligation to contribute, the law may make the employer liable for the whole amount by requiring him, or giving him the right, to deduct the worker's contribution from the latter's wages. This system ("deduction at source") results in the institution's completely ignoring the insured person and in the employer's

incurring sole liability for the payment of the whole contribution and potentially for any interest on arrears and for fines. Such a system gives the insurance institution full security as regards regular payment, and is in force in all countries in which employers and insured persons share the contributions, with the sole exception of *Denmark*. In that country the employer does not deduct the insured person's contribution from wages, but the latter pays it himself at the office of the sickness fund of which he is a member.

§ 2. — Discharge of the Obligation

Despite the multiplicity of the systems existing in different countries for the discharge of the obligation, they may be divided into three groups. In the first, the customary methods of discharging obligations are adopted; in the second, the machinery of tax-collection is utilised; while in the third some special method such as the affixing of stamps is used.

LEGISLATION PROVIDING FOR THE USE OF CUSTOMARY METHODS

The employer, in order to discharge his obligation, may use any of the customary methods—payment in cash, postal order, cheque, bank transaction, etc. This method is in force in *Argentina* (staffs of private undertakings of public utility), *Austria* (workers), *Czechoslovakia* (workers), *Hungary* (general scheme; miners), the *Netherlands* (miners), *Poland* (miners in Southern Provinces), *Uruguay* (staffs of public utility undertakings; bank and exchange staffs) and the *U.S.S.R.*

LEGISLATION PROVIDING FOR THE USE OF TAX-COLLECTING MACHINERY

In some countries the State or local authority puts its tax and revenue collecting machinery at the disposal of the insurance institutions. The funds collected are then paid over to the competent insurance authorities. This system is in force in *France* (miners), *Luxemburg* (workers) and *Sweden*.

LEGISLATION PROVIDING FOR THE USE OF A SPECIAL METHOD (STAMPS)

Under this system the insured person receives a card on which the employer is required to affix stamps to the value of the whole

contribution. The proceeds of the sale of the stamps, which usually takes place at the post office, are paid to the insurance institutions. This special method of discharging the obligation to insure has been adopted in the following countries: *Bulgaria*, *Chile* (workers), *Cuba* (seamen and harbour workers), *France* (general scheme; workers in Alsace-Lorraine), *Germany* (workers; salaried employees), *Great Britain* and *Northern Ireland* (invalidity, old-age and widows' and orphans' insurance), *Greece* (tobacco workers), *Irish Free State* (invalidity insurance), *Italy* (general scheme), *Netherlands* (general scheme), *Poland* (workers in Western Provinces) and *Rumania* (general scheme in former Kingdom).



PART IV

FINANCIAL ORGANISATION

INTRODUCTION

Financial organisation means the body of principles and rules established in order to secure that an equilibrium should be maintained between the assets and liabilities of insurance schemes.

The calculation of the assets is effected on the basis, on the one hand, of estimates of the movement of the insured population and, on the other, of financial estimates founded on the regulations relating to contributions and State subsidies, and on the probable income from accumulated funds.

The calculation of the liabilities is effected on the basis, on the one hand, of estimates of the movement of pensioners and, on the other, of financial estimates founded on the benefit system and on the probable expenditure for administration.

The equilibrium between assets and liabilities may be secured by the employment of a variety of financial systems, involving different modes of distributing liabilities in the time dimension.

In all insurance schemes, but especially in those employing the accumulative system, the institutions have to administer large sums of money, and strict regulations concerning financial management are therefore necessary.

Hence the subject of financial organisation will be examined under the following heads:

- (1) population estimates;
 - (2) financial estimates;
 - (3) financial systems;
 - (4) financial management.
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CHAPTER I

POPULATION ESTIMATES

The calculation of revenue and expenditure entails a knowledge of the number of persons in respect of whom contributions will be paid and also of the number of persons who will become beneficiaries. In making such calculations it is essential in the first place to ascertain the composition of the group of persons insured at the outset, a knowledge of which can be obtained only from adequate statistics. It is then necessary to calculate the future movement of the insured population and that of pensioners, by means of functions of population estimates.

§ 1. — Statistics of Insured Population

Such statistics must show the composition of the section of the population initially insured, according to age, sex, occupation, etc. The requisite information may be obtained either by taking a special census of the group concerned or by utilising data from general census returns, economic or occupational statistics, or, where these are not available, from special enquiries.

The most accurate and most detailed information is evidently to be obtained by a special census of the section of the population for which estimates have to be made. But in the absence of a compulsory insurance scheme, when it is impossible to obtain figures compiled by insurance institutions, the cost is so high that use is seldom made of this method.

The method usually employed is to have recourse to the general census returns, or to economic or occupational statistics. Figures obtained in this way are, however, not always fully satisfactory, owing to the fact that these statistics do not always include tables giving, for example, the distribution of the workers by age, or the composition of the worker's family. The result is that one is apt to apply general statistics to a special section of the population,

and to introduce approximate corrections which considerably increase the risk of error in the estimates. When national statistics are not available it is sometimes even necessary to use data referring to other countries, a fact which necessitates very intricate corrections and further enhances the risk of error.

§ 2. — Functions of Population Estimates

The study of a sufficiently large and homogeneous section of society, for which it is possible to follow over a number of years the changes resulting from various demographic factors, generally shows that the influence of these factors is more or less regular. If then it be admitted that this regularity is the expression of a constant law, it becomes possible to base estimates for the future on facts relating to the past. The functions of population estimates vary with countries, and in each country with the section of the population insured. As a rule, they are based on the age, sex, occupation and marital condition of the insured persons, and on living and working conditions. It cannot be denied that it would be preferable if the functions could be calculated for each insured group. But where this cannot be done recourse must be had to data based on the study of other similar groups in the same country or even in other countries. In this case the estimates are of an approximate character, even when the statistics used are chosen and adapted with the greatest care. The estimates must therefore leave a wide margin of error, and the necessary steps must be taken to secure an accurate observation of the insured population in order to discover what changes are necessary if the original estimates turn out to be inexact. In invalidity, old-age and widows' and orphans' insurance, the functions of population estimates comprise biometric functions and functions of the probable composition of the insured person's family.

BIOMETRIC FUNCTIONS

Biometric functions are used in invalidity, old-age and widows' and orphans' insurance schemes to estimate the invalidity rate, the mortality rate of invalids, the mortality rate of the active insured population and the mortality rate of old-age pensioners (annuitants). As a rule, these rates show for each homogeneous group of insured persons of the same age (for example, per 1,000

insured persons) the number of persons who become invalids, and the number of deaths among invalids and active persons. To say that at forty years of age there is a probability of invalidity of 0.0074 means that for every 1,000 insured persons who reach forty years of age, 7.4 will in all probability become invalids between forty and forty-one years of age.

These rates go to form invalidity tables, mortality tables of invalids, mortality tables of the active insured population and old-age pensioners' mortality tables.

Invalidity Tables

The preparation of invalidity tables is far from easy on account of the difficulty of defining what is meant by invalidity. The information collected must relate to cases of invalidity which are covered by the same legal definition receiving a uniform practical interpretation. Now it is extremely difficult to obtain the latter condition, as investigation of cases of invalidity is entrusted in most countries to several, it may be numerous, institutions and committees.

It is therefore not surprising to find that invalidity tables are few in number, comparatively old, and that they have been based on data collected by old occupational funds or on incomplete results of the application of a general invalidity insurance scheme. Among the tables in common use, the following are worthy of notice.

Zimmermann table for the entire staff of the German railways; observation period: 1868-1884; number of persons exposed to risk: 2,125,154; number of invalids: 29,780.

Zimmermann table for the non-train staff of the German railways; observation period: 1868-1884; number of persons exposed to risk: 1,590,907; number of invalids: 14,617. This table was used in the preparation of social insurance schemes in Austria, Czechoslovakia (salaried employees), Germany, Italy and Poland (intellectual workers).

Zimmermann table for the train staff of the German railways; observation period: 1868-1884; number of persons exposed to risk: 533,912; number of invalids: 5,163. This table was used in Hungary in the calculation of estimates concerning wage earners in industry (with the exception of the metal, iron and steel, engineering and transport industries, and the staff of public generating stations).

Behm table for various occupational classes, based on a mathematical law, and compiled in 1887 as the result of observations by the Crafts Union. This table was used in Germany in 1889 in connection with invalidity insurance and in 1911 in connection with the Social Insurance Code.

Lindstedt table, based on data concerning the German invalidity insurance scheme for the period 1906-1908. This table was used in the preparation of social insurance schemes in Czechoslovakia, the Netherlands and Sweden.

Table of the pensions fund of the staff of the Prussian and Hessian railways; observation period: 1908-1912. Table used in France.

Riedel table for office employees of the German railways; observation period: 1882-1889; number of persons exposed to risk: 238,545; cases of invalidity: 1,776. Table used in Hungary for the salaried employees' insurance scheme.

Zillmer table, published in 1884, relating to workers in the metal and engineering trades. Table used in Hungary for estimates concerning workers in the metal, engineering and transport industries and public generating stations.

In Great Britain, where invalidity is considered as prolonged sickness, the estimates for compulsory insurance are based on the experience of the British sickness funds.

The invalidity rates given in the above-mentioned tables undoubtedly differ considerably, in point of gravity and frequency, from the invalidity risk in the sections of the population at present insured in the various countries, the difference being due partly to the improvement in the health of the population consequent upon the progress of medical science, hygiene and the standard of living, and partly to the results of the war and the general unemployment crisis, these latter elements having a negative effect and tending to increase the physical risks of the workers.

Mortality Tables of Invalids

The death rate of invalids varies with the age of the person affected and the duration of invalidity. The death rate, which is very high during the early years of invalidity, falls gradually; after ten years according to data at present available, it does not differ much from the general rate for the whole of the insured population. In the French Act of 1930, account has been taken of the rapid elimination of disabled persons during the first five years of invalidity by introducing temporary pensions of five years' duration which are converted into permanent pensions after the fifth year of invalidity. In this way it will be possible to ascertain the effects of medical treatment and to determine which causes of invalidity are the most fatal.

Mortality tables of invalids are very rare and are generally based on the experience of voluntary insurance or of brief periods of compulsory invalidity insurance.

The most commonly used is that prepared from the experience of the German compulsory invalidity insurance scheme for the years 1891-1903 which covered 366,327 invalidity pensions granted in 1891-1897 and 1898-1899, observations being continued until 1903. This table was used in the preparation of compulsory invalidity insurance schemes in Czechoslovakia, France, Hungary, Italy and the Netherlands.

Mortality Tables of Active Insured Population

In most countries mortality tables for the active insured population are worked out by mathematical processes based on the general death rate, the invalidity rate, and the death rate of invalids.

The values of tables drawn up in this way must of necessity depend upon the accuracy of the mortality and invalidity tables available. Moreover, the death rate for adults of the general population of a country may be very different from the rate for an insured section of the community composed, for example, of wage earners.

Old-Age Pensioners' Mortality Tables

The death rate of insured persons in receipt of an old-age pension granted at a fixed age varies considerably according as invalidity insurance does or does not exist. Where invalidity insurance exists the most infirm among the insured generally receive an invalidity pension before reaching the age limit, and only the healthiest of the insured population obtain old-age pensions. The longevity which results from this method of selection is further increased by the cessation of work and the improvement in health consequent on a quiet life. The death rate of pensioners is therefore lower than the ordinary death rate.

Few countries, however, make this distinction, and generally death rates for the population as a whole are used in estimating the death rate of old-age pensioners.

The more commonly used old-age pensioners' mortality tables are given below:

France. — C. R. table or mortality table of the National Old-Age Pensions Fund, based on the observation of 1,407,522 persons, and published in 1889.

R. F. table or French annuitants' table, prepared by the Insurance Companies Committee; observation period 1819-1889; number of persons exposed to risk, 635,909.75, cases of death: 36,916. Paris, 1895.

Great Britain. — English annuitants' table, 1900-1920; number of persons exposed to risk: 704,919; cases of death: 32,015.

The above tables, with the exception of the French C.R. table, are based on the experience of private insurance companies and are not particularly suitable for compulsory social insurance estimates. Moreover, the death rate of elderly persons, as well as the general death rate, is tending to decrease to a considerable extent, thus lengthening the average duration of life and increasing the cost of old-age pensions for the social insurance institutions. This demographic phenomenon, which is of considerable importance,

has led in recent years to important research work, and special studies would be required in order to determine the death rate for former wage earners in receipt of an old-age pension.

FUNCTIONS OF ESTIMATES OF THE PROBABLE COMPOSITION OF THE INSURED PERSON'S FAMILY

Estimates of the probable composition of the family of the insured person are necessary in all schemes which grant bonuses for family responsibilities, and lump sums or pensions on the death of insured persons.

The elements which are required in the first place are the average number of insured persons married for each age, the composition of the family, the average age of the wife, the number and average age of the children, and the probability of death for the members of the family. It is also necessary to ascertain the invalidity rate of the widow if the widow's benefit is conditional upon her invalidity, and the marriage rate of widows if the widow's benefits cease in case of re-marriage. The requisite information is obtained from statistics compiled from general census returns or as the result of special enquiries. Special information on the composition of the family of insured persons is rare, and the utilisation of data referring to the general population increases the risk of error in the estimates.

§ 3. — Estimates of the Movement of Insured Persons

The number of persons initially insured is modified in the course of time as the result of gains and losses.

Gains result from the admission of new entrants, who are generally young persons between fifteen and twenty years old, and of a certain number, never very large, of older persons who, in workers' and salaried employees' insurance schemes, for example, take up a wage-earning occupation later in life. Estimates of the movement of new entrants are difficult to calculate, as the figures are affected not only by the rise and fall of birth and death rates, but also by the state of the labour market and the possibilities of employment. Thus it is that when the population increases the number of workers may remain the same if economic development is at a standstill.

Losses representing persons passing out of insurance are calculated by means of elimination rates relating to invalidity, death, the grant of pensions, etc. Other causes of loss, such as emigration and the

change-over of workers from an insurable occupation to one outside the scope of insurance, are not as a rule taken into consideration, in view of the absence of data on which accurate estimates can be based.

The practice in most countries, when preparing compulsory social insurance legislation, is not to make a yearly calculation of the movement of insured persons, but to adopt one of several general hypotheses based on demographic functions. The hypotheses most commonly adopted are the following:

- (a) The number of pensions is supposed to remain constant, and gains are taken as balancing losses. This hypothesis, which is the simplest of all, was adopted in Italy for the Act of 1919 and Germany for the Act of 1889.
- (b) The population increases by geometrical progression, and the age distribution remains constant. This theory was used in the preparation of the former Austrian Bill.
- (c) The population increases, and the age distribution varies. This theory was applied in Czechoslovakia in connection with the 1924 Act.

The adoption of such hypotheses may have certain results, advantageous or dangerous, for the financial stability of the insurance scheme. When, after adopting the hypothesis that the number of insured persons remains constant, an increase occurs by reason of the admission of young entrants, there results a considerable profit for the insurance scheme. If, for example, in Italy, the increases in the number of insured persons corresponded to the growth of the population in the years 1901-1911, the excess income which would result is estimated at 116,000,000 lire. When, on the other hand, the hypothesis of an increase in the insured population is adopted, and the increase in the number of young entrants remains under the estimates, an actuarial deficit may result.

§ 4. — Estimates of the Number of Pensioners

When an insurance scheme first comes into operation there are of course no beneficiaries, and it is only at the end of the qualifying period, which is fixed, according to the scheme and the risk, at two, five or even ten or fifteen years, that the payment of benefits begins.

From the moment benefits become payable the number of beneficiaries is computed by applying to the insured persons demographic functions referring to invalidity rates, death rates of invalids, death rates of the active insured population, old-age pensioners' death rates and, if the scheme makes provision for survivors' pensions, estimates regarding the composition of the insured person's family.

At the end of every financial period the number of beneficiaries is equal to the number at the beginning of the period plus the number of beneficiaries admitted during the period and minus the number eliminated during the same period. During a certain period the number of beneficiaries increases gradually, the number of new awards being higher than the number of eliminations. If it be supposed that the body of insured persons is a constant quantity and that the functions of population estimates are invariable, the gains and losses balance, and the number of beneficiaries reaches a permanent or constant level.

When, on the other hand, the number of insured persons gradually increases and then subsequently becomes constant, a corresponding increase in the number of beneficiaries follows, and their number reaches a permanent level at a later date. Similarly, this permanent level may be considerably modified if the effects of the causes of loss are not constant. In this connection it should be noted that the functions of population estimates vary in the course of time. Thus it is that a noticeable fall in the death rate of invalids and the old-age pensioners' death rate leads to an increase in the number of beneficiaries and in the average period during which benefit is payable, which in turn considerably increases the liabilities of invalidity and old-age insurance schemes. But of course a fall in the death rate of the active insured population results in a decreased expenditure for survivors' pensions.

On account of this variation in demographic functions social insurance schemes are nowadays faced with a number of serious problems connected mainly with the ratio of the number of persons of sixty-five years and over to the number of those aged between fifteen and sixty-four years. In all countries the number of elderly persons is increasing in proportion to the active population. That this is so is shown by the following estimates. In France the relationship between the two classes will probably increase from 13 per cent. in 1911 to 17 per cent. in 1960, in Germany, from 8 per cent. in 1910 to 15 per cent. in 1960, in Gréat Britain, from 8 per cent. in 1911 to 16 per cent. in 1960; in Italy, from 11 per cent.

in 1911 to 12 per cent. in 1961, in Poland, from 7 per cent. in 1920 to 8 per cent. in 1960, in Sweden, from 14 per cent. in 1911 to 18 per cent. in 1960; in Switzerland, from 10 per cent. in 1920 to 15 per cent. in 1960.

These figures show a general displacement of the population towards the more advanced ages, and the greater the fall in the birth and death rates the more rapid this movement becomes.

CHAPTER II

FINANCIAL ESTIMATES

INTRODUCTION

Financial estimates concerning the probable amount of the resources and the probable cost of insurance are established on the basis of population estimates, showing the probable number of compulsory contributors and beneficiaries, the regulations concerning the rates of contributions and benefits, and the amount and probable movement of the wages or income earned by the insured persons, when contributions and benefits vary with such wages or income.

The combination of the various elements taken into consideration in making financial estimates is arrived at by means of actuarial functions which enable a calculation to be made of either the total or the present value of the insurance assets and liabilities.

§ 1. — Estimates of the Movement of the Wages or Income of Insured Persons

In a large number of cases national legislation concerning compulsory invalidity, old-age and widows' and orphans' insurance fixes the contributions in accordance with wages, the basic wage being either the actual wage of the individual or that assigned to the wage class to which he belongs. Similarly, the pension, or at least part of it, very frequently depends on the rate and number of contributions. In such schemes the calculation of insurance assets and liabilities implies the establishment of estimates concerning the total amount of wages covered by insurance, the movement of such wages, and the average length of the period of occupational activity during which wages are received and, in consequence, contributions paid.

Statistics referring to wages and the distribution of workers in wage classes are generally obtained from economic or occupational census returns, collective agreements, factory inspectors' reports

and reports prepared by the existing insurance institutions. In many countries wage statistics are very incomplete, and the estimates required by insurance schemes are based on data referring to small groups, with the result that the conclusions arrived at are only of limited value.

After determining the total amount of wages to be insured and, where necessary, arranging the insured persons in wage classes, it is essential to forecast the changes which may take place in the course of time as a result of a change in the distribution by age or a change in the wage level.

Wage rates do in fact vary to a certain extent with age, but available statistics do not give very accurate information on this variation, which differs in the various occupational groups. A study of wage movements carried out in Czechoslovakia when the Invalidity and Old-Age Insurance Bill of 1924 was being prepared, showed that the rate of remuneration increases from fifteen to twenty-five years of age, that it remains constant from twenty-five to forty years and then decreases. The legislator was therefore led to adopt the hypothesis that wages increase by 10 per cent. between fifteen and twenty-five years of age and that thereafter they remain at a constant level.

The prediction of the future movement of wages involves still greater difficulties, for it depends on a complexity of factors connected with economic development, the state of the labour market, etc., for which no reliable basis of estimation is available.

The calculation of resources and benefits based on wages also necessitates the use of hypotheses regarding the length of the period of occupational activity during which wages are received, account being taken of the probable number of days lost in consequence of sickness or unemployment. Morbidity tables allow a fairly accurate calculation to be made of the amount of time lost as a result of sickness. Similar estimates regarding unemployment are, however, much more uncertain. Under the various national compulsory schemes the normal duration of occupational activity taken as a basis varies from forty-two to forty-eight weeks a year. In many countries at present suffering from prolonged and severe unemployment, the average length of the period of effective work is, for the great mass of insured persons, considerably lower than the estimates adopted, with the result that the financial stability of the insurance scheme is seriously undermined if the unemployment insurance institutions do not pay the contributions due in respect of invalidity, old-age and widows' and orphans' insurance.

§ 2. — Actuarial Functions

The actuarial functions most commonly employed in the calculation of the assets and liabilities of invalidity, old-age and widows' and orphans' insurance are used to determine: the present value of a contribution unit paid annually in respect of an insured person during his active life; the value acquired at the pensionable age by a contribution unit paid as a single premium; the present value of an old-age pension unit at the pensionable age; the present value of an invalidity pension unit; and the present value of a survivor's pension unit payable on the death of the insured person. A short description is given below of the methods of establishing the various actuarial functions which, combined, allow a calculation to be made, in respect of each insured person, of the present value of the whole of the contributions and the present value of the whole of the benefits provided under the various national schemes.

PRESENT VALUE OF A CONTRIBUTION UNIT PAID ANNUALLY IN RESPECT OF AN INSURED PERSON DURING HIS ACTIVE LIFE

Biometric functions (invalidity rate, death rate of active insured population, and other causes of elimination) allow, given an initial group of persons entering insurance at the same age, a forecast to be made of the number of contributors surviving at each age and, in consequence, the total amount of the contribution units payable at each age.

The rate of interest makes it possible to calculate the present value of the total amount of the contribution units at each age, and, by dividing the total of the present values for each age by the number of persons insured at the outset, to estimate the present value, per person insured, of a contribution unit paid annually until the pensionable age.

VALUE ACQUIRED, AT THE PENSIONABLE AGE, BY A CONTRIBUTION UNIT PAID AS A SINGLE PREMIUM

Given an initial group of persons entering insurance at the same age and each paying a contribution unit as a single premium, biometric functions and the rate of interest provide the means of calculating the number of insured persons who will reach the pensionable age and the value acquired at that age by the total amount of the single premiums paid by the group of insured persons.

The division of this amount by the number of survivors at the pensionable age gives the value acquired by the contribution unit. This sum corresponds to the capital value of an old-age pension unit.

PRESENT VALUE OF AN OLD-AGE PENSION UNIT AT THE PENSIONABLE AGE

By means of old-age pensioners' mortality tables it is possible, given the pensionable age, to calculate the number of survivors at each age and, in consequence, the number of pension units to be paid.

The rate of interest enables a calculation to be made of the present value of the total amount of pension units to be paid at each age, and, by dividing the total of the present values for each age by the number of persons insured at the outset, the present value of a pension unit at the pensionable age is obtained.

PRESENT VALUE OF AN INVALIDITY PENSION UNIT

The present value of an invalidity pension unit is obtained in the same way as the present value of an old-age pension unit, and is found by combining the biometric functions concerning invalidity (mortality table of invalids and table of recovery from invalidity) and the rate of interest.

PRESENT VALUE OF A SURVIVOR'S PENSION UNIT PAYABLE ON THE DEATH OF AN INSURED PERSON

The present value of a survivor's pension unit payable on the death of an insured person is obtained by combining the biometric functions concerning the mortality of the active insured population, the functions concerning the composition of the insured person's family, and the rate of interest, according to methods similar to those already described for the calculation of the present values of a contribution unit and of a pension unit.

§ 3. — Methods of Estimating Insurance Assets and Liabilities

Estimates of insurance assets and liabilities may be made for a financial year or fixed period, for each generation of insured persons, or for each person insured. The choice of method is closely bound up with the financial system adopted. The assessment system requires estimates by periods, a system of collective accumulation

necessitates estimates for each generation of insured persons, and a system of individual accumulation calls for estimates in respect of the individual insured person.

A short description is given below of the main features of the methods of calculating the resources derived from contributions and the cost entailed for benefits.

CALCULATION BY FINANCIAL YEAR OR PERIOD

This method necessitates the calculation of the probable value of both resources and cost.

The probable value of contributions for a financial year or fixed period is calculated from the number of insured persons, the contribution rate, the average number of contributions paid per insured person, and, when contributions are based on wages, the wage classification of the insured, and the probable movement of wages.

The probable amount of benefits payable in a given period is estimated on the basis of the probable number of persons entitled to receive the various forms of benefit, the benefit rates, and, when benefits vary with wages and contributions, on the ratio of wages and the number and rate of the contributions paid.

The total cost of benefits gradually mounts each year as a result of the increase in the number of beneficiaries and also, under certain schemes where benefits vary with the duration of insurance, as a result of the increase of the individual rate of benefit. The permanent level of benefit expenditure will be reached when the number of beneficiaries and the average amount of the benefits become constant.

CALCULATION BY GENERATION

Calculation by generation involves the establishment of the present value of contributions and the present value of benefits for each generation of insured persons.

The present value of the contributions is obtained by means of demographic and actuarial functions, by the combination of the following elements: the number of insured persons in each generation; the classification of the insured persons of each generation according to age and date of entry into insurance; the average number of contributions; the rate of contributions; the wage classification of the insured and the probable movement of wages (where relevant); and the rate of interest.

The simplest procedure is to calculate in the first place the present value of the contribution unit, per insured person, for each age of entry and paid each year during the period of occupational activity, secondly the total of these units of present value for the whole group of insured persons composing a generation, and finally the total present value of the contributions as a whole in accordance with the actual rates of contribution.

The present value of the contributions paid in respect of an insured person falls in proportion to the lateness of the age of entry. As the first generation comprises insured persons of different ages, and as the following generations are composed almost entirely of young insured persons, the average present value, per insured person, of the contributions of the first generation is lower than that of the contributions, per insured person, in the following generations.

The present value of benefits is calculated by the application of demographic and actuarial functions, regard being had to the probable number of beneficiaries, benefit rates, and, when benefits vary with wages or contributions, to wage rates and the number and rate of the contributions.

The method followed is to determine firstly the present value of a benefit unit per insured person for each age of entry, and secondly the total of the present values of benefits, on the basis of the actual rates of the various benefits.

Since risks increase with age, the average present value of benefits payable to the first generation, which includes insured persons of various ages, is higher than the average present value of benefits for the following generations, which are largely composed of young persons.

Thus in the case of the first generation, the present value of contributions is lower, and the present value of benefits higher, than for the other generations. This means that either the benefits granted to the first generation must be at a lower rate, or that the cost of benefit must be borne partly by succeeding generations, or that the deficit for the first generation must be met by the public authorities.

CALCULATION BY INDIVIDUAL

This method entails the calculation for each individual insured person of the present value of contributions and the present value of benefits.

The present value of contributions per insured person, which is obtained by means of demographic and actuarial functions, increases in proportion to the earliness of the age of entry.

On the other hand, the present value of benefits rises with the age of entry.

If the financial system makes no provision for equalising the costs borne by the different age groups, persons who join the scheme late in life are bound, unless the public authorities provide subsidies, to receive lower benefits than persons entering insurance when young.

CHAPTER III

FINANCIAL SYSTEM

INTRODUCTION

Every insurance scheme must adopt measures to secure a balance between its estimated income and its estimated expenditure, and these measures constitute the *financial system*.

Financial systems may be divided into assessment systems and accumulative systems, in accordance with their treatment of financial resources and the interdependence which they establish between income and expenditure.

§ 1. — Assessment Systems

Assessment systems may be divided into systems of assessment to meet current expenses and systems of assessment to meet the capital value of pensions.

ASSESSMENT TO MEET CURRENT EXPENSES

Under this system the expenses in each financial period must be balanced by the receipts in the same period. Expenses which are not covered by subsidies from the public authorities must be met by contributions assessed and levied upon insured persons and employers.

As the cost of benefits increases from year to year, the contribution charge will increase correspondingly until the insurance scheme reaches its permanent level, that is to say, during a period which, according to the movement of the insured population and the benefit system adopted, may vary from 80 to 120 years. The contribution rate, very low at first, becomes higher and higher until the period of stability is reached. This system lightens the cost of the contributions of the first generation of insured persons at the expense of future generations.

Theoretically, the system of assessment to meet current expenses does not involve the accumulation of reserve funds, and thus avoids all problems connected with the administration of capital. But as a general rule certain reserves are built up to meet sudden changes in the incidence of the claims or in the composition of the insured group, which would upset the estimates concerning the movement of contributions and the movement of benefits.

ASSESSMENT TO MEET CAPITAL VALUE OF PENSIONS

Under this system the receipts in each financial period must be sufficient to meet the capital value of the pensions awarded, as well as the cost of any benefits other than pensions (medical treatment of invalids, lump sums in case of death, etc.) granted during the same period.

As in the system just described, the cost, small at the outset, increases with the increase of benefit expenditure until the insurance scheme reaches its period of stability, but in this case the rise begins at a higher level and reaches the permanent level in a much shorter time.

The capital value of the whole of the pensions awarded, calculated on a basis which is periodically revised, forms the actuarial reserve of the insurance fund, which is the fundamental element of the whole system, and of which the administration is of essential importance.

The system of assessment to meet the capital value of pensions favours the first generation of insured persons by deferring the payment of a part of the present cost to future generations, and affords pensioners a valuable safeguard against the dangers which may result from modifications in the composition of the insured group.

On the other hand, the stability of the system is largely dependent on demographic and financial factors. The capital fund may prove to be inadequate if the number of persons in receipt of pensions and the longevity of pensioners exceed the estimates, or if the return on invested capital is lower than the rate on which the calculations are based.

§ 2 — Accumulative Systems

Accumulative systems involve the accumulation during an initial period of the capital necessary to meet the cost of benefit, on the

basis of a level rate of contribution. The requisite estimates may be made for each insured person separately (individual accumulation), or for the whole group of insured persons (collective accumulation).

INDIVIDUAL ACCUMULATION

Under this system benefits are generally calculated as a function of the contributions paid by the insured person, which are accumulated in a personal account in accordance with the usual methods adopted for the purchase of deferred annuities.

The pension received by the insured person in return for a level contribution varies with the length of the period in insurance. Insured persons who enter insurance late in life will necessarily receive small pensions.

This system, adopted generally by private insurance companies, establishes no financial interdependence between successive generations of insured persons. It may be used by compulsory social insurance schemes to provide against the old age of young persons, but it cannot offer adequate cover against the risk of premature invalidity or death, or against old-age risks for persons of a certain age.

When, however, this system is adopted, its rigidity is generally tempered by the guarantee of a minimum pension, the difference between the minimum pension and the pension due in virtue of the payment of contributions being met by a public subsidy or by drawing on contributions paid by the whole group of insured persons.

As in the system of assessment to meet the capital value of pensions, funds are accumulated. In order that financial stability may be maintained and statutory benefits paid, it is essential that the invested funds should give an adequate return and that the estimates of the incidence of the claims should not diverge from that which is experienced.

COLLECTIVE ACCUMULATION

Under this system the resources derived from the contributions of the insured group must be sufficient to meet the total cost of benefits payable to present and future generations. Insured persons are required to pay a fixed contribution which is calculated by dividing the total present value of benefits by the total present

value of a contribution unit, the result being known as the *general average contribution*.

Under this system the total of the contributions during the initial period is higher than the total of benefits, which gradually rises to a permanent level as the result of the increase in the number of persons in receipt of pensions and, in certain schemes, as the result of an increase in the rate of benefit. During the initial period capital is accumulated, and the funds thus acquired are known as the actuarial reserves.

For the first generation of insured persons the present value of contributions is less than the present value of benefits, and, in order to cover the actuarial deficit, it will be necessary either to require future generations to pay higher contributions than are needed to cover the cost of their benefits, or to obtain financial aid from the public authorities.

When the average contribution is calculated in such a way that the present value of the contributions payable by persons entering into insurance at the minimum age of admission (e.g. sixteen years), is equal to the present value of their benefits, all persons joining the scheme at a later age represent a deficit, which must be covered either by a levy on the contributions paid by young persons or by public subsidies.

This system has the twofold advantage of guaranteeing the stability of contributions and of equalising costs as between the different generations, in favour of the earlier generations which, in the absence of such methods, would receive inadequate benefits unless special financial aid were forthcoming from the public authorities.

The system of collective accumulation, the social advantage of which cannot be gainsaid, involves a considerable accumulation of capital, which must be administered with prudence, and entails the use of a set of population and financial estimates which must be periodically revised.

§ 3. — Financial Systems in National Legislation

In the insurance schemes of the various countries are to be found examples of the different financial systems and, sometimes, combinations of several systems which vary with the risks covered and benefits guaranteed. The choice of a system is influenced by the special characteristics of the insured group, the system of contributions and benefits adopted, the interdependence which it is desired

to establish between different groups and successive generations, and the amount and form of the financial aid granted by the public authorities. A short description is given below of the main features of the financial systems in use in a number of countries.

Austria. — Workers: System of assessment, with gradual accumulation of reserves with a view to the establishment of a system of collective accumulation.

Salaried employees: After the disappearance of the greater part of the reserve funds as the result of the currency inflation, the system of collective accumulation was replaced by the system of assessment; it is proposed to re-establish a system of collective accumulation by gradually building up a reserve fund.

Belgium. — Workers: System of individual accumulation. The State bears the cost of additional old-age and widows' pensions for insured persons who, when the Act came into force, were aged between 23 and 63 years in the case of married persons, and between 33 and 63 years in the case of unmarried persons, widowers and divorced persons.

Salaried employees: System of individual accumulation. A supplementary fund, fed by contributions from employers and from insured persons born before 1895, meets the cost of additional pensions for insured men born between 1862 and 1894, and for insured women born between 1867 and 1894. The cost of allowances granted to widows and orphans and invalids is also borne by the same fund.

Miners: System of individual accumulation.

Chile. — Workers: System of assessment to meet capital value of pensions for invalidity insurance, and system of individual accumulation for old-age insurance.

Czechoslovakia. — Workers and salaried employees: System of collective accumulation with a general average contribution.

Miners: System of assessment.

France. — General scheme: System of assessment to meet capital value of pensions for invalidity insurance. System of individual accumulation for old-age insurance. System of assessment for benefits at death. Pensions are increased up to a legal minimum from a supplementary fund based on the assessment system.

Miners: System of individual accumulation. Supplementary fund based on assessment system for the payment of additional old-age pensions and allowances at death.

Germany. — Workers and salaried employees: After the disappearance of the greater part of the reserve funds as the result of the currency inflation, the system of collective accumulation was gradually replaced by a system of assessment.

Miners: System of assessment.

Great Britain and Northern Ireland. — Sickness and invalidity insurance, and old-age and widows' and orphans' insurance: System of collective accumulation with average contribution, based on the minimum age of entry (16 years). The initial deficit of the first generation is met by the State.

Hungary. — General scheme: System of collective accumulation with general average contribution.

Italy. — General scheme: System of collective accumulation with general average contribution.

Netherlands. — General scheme: System of collective accumulation with level average contribution based on minimum age of entry (16 years). The State meets the actuarial deficit of the first generation.

Poland. — Intellectual workers: System of collective accumulation with general average contribution.

Rumania. — General scheme in the former Kingdom: The system of accumulation adopted in 1912 was provisionally replaced, after the disappearance of the greater part of the reserve funds as the result of the currency inflation, by a system of assessment.

Spain. — General scheme: System of collective accumulation of compulsory contributions for insured persons entering insurance before the age of 45; system of individual accumulation for insured persons entering insurance after the age of 45, combined with a system of assessment in respect of additional benefits paid by the bonus fund. For both groups the system of individual accumulation is applied in connection with voluntary contributions paid by insured persons.

Sweden. — National scheme: System of individual accumulation.

Switzerland. — National scheme: System of assessment. The gradual increase of the contribution is attenuated by having recourse to fresh sources of income.

CHAPTER IV

FINANCIAL MANAGEMENT

The insurance institutions, especially under accumulative systems and systems of assessment to meet the capital value of pensions, have large funds available, which must be placed in investments offering adequate security and return, in accordance with the rules laid down by the law or regulations. The accounts of the insurance institution are regularly audited, and periodical actuarial valuations are carried out to check the movement of assets and liabilities and to verify their solvency.

§ 1. — Investment of Funds

The investment of funds must be made in accordance with certain conditions essential to the regular working of the insurance institutions. For example, the funds must be easily realisable, a certain return combined with security must be guaranteed, and the social interests of the insured group must be promoted.

The *mobility* essential to the funds varies according to their object. Working capital used to meet daily requirements is placed in current and short-term deposit accounts, so that it may be realised without difficulty. The actuarial reserves may be invested in long-term loans, the repayment of which may be spaced in accordance with the probable movement of financial requirements.

The *return* must be at least equal to the rate of interest adopted in the calculation of financial estimates.

The *security* of insurance investments must be as complete as possible, and the institutions must avoid all speculation.

The *social aims of insurance* must not be forgotten, and the institutions must invest a substantial part of their capital in social institutions of direct benefit to the insured population: loans for the construction of workers' dwellings, hospitals, clinics, sanatoria workers' allotments, etc.

As a rule, national legislation endeavours by the adoption of sound regulations to lay down the main lines of the investment policy of the institutions, by defining the classes of investments authorised and sometimes even the proportions of the capital which may be placed in the different classes.

In most schemes the following classes of investments are envisaged: State securities or securities guaranteed by the State, loans to the provinces, municipalities and corporate bodies subject to State supervision, mortgages, purchase of real property, social investments, deposit of working capital in banks.

In the restricted space available in the present volume it is hardly possible to give a detailed analysis of the national regulations concerning investments. Nevertheless it is thought advisable to quote some examples of regulations concerning the investments for social purposes, which are tending to acquire greater importance.

Czechoslovakia. — A part of the available funds of the Central Social Insurance Institution may, with the approval of the Minister of Social Welfare and the Minister of Public Health and Physical Education, be used for general and special schemes for the prevention of invalidity, the prevention of social diseases or the improvement of the health of insured persons or members of their families.

France. — General scheme: Funds may be invested in loans to institutions and societies for the construction of cheap dwellings and building societies as well as to social welfare and health institutions recognised as being of public utility.

Germany. — Social Insurance Code: Funds may be used for the purchase of land, or to provide loans or capital for undertakings of public utility or in co-operation with undertakings of that character. Co-operative societies and their federations are also considered as enterprises of public utility if their activities, as defined by their regulations, are exercised exclusively or mainly for the benefit of insured persons.

Great Britain and Northern Ireland. — A part of the sickness and invalidity insurance funds may be lent to local authorities, preferably for the construction of cheap dwellings.

Hungary. — The contribution reserve of the National Social Insurance Institution may up to a maximum of 30 per cent. be invested in the construction or purchase of tenement houses, workers' houses, houses for officials belonging to the institution, buildings for the medical treatment of pensioners (curative establishments, sanatoria), or in interest-bearing first mortgages effected with a view to the construction of such buildings or houses.

Italy. — The National Social Insurance Fund may invest up to one-tenth of the capital at its disposal in undertakings for the purchase, management or construction of workers' houses and hospitals.

Netherlands. — A part of the insurance funds which may not exceed one-half of the total capital may be invested in loans raised for the construction of workers' dwellings and sanatoria, and other investments of the same type intended to raise the level of public health.

Poland. — The funds of insurance institutions are invested, with the approval of the Ministry of Labour and Social Welfare, in investments which

offer a maximum of security. These funds must be invested, as to 15 per cent., in State securities. An increasing proportion is applied to the purchase of real property—cheap dwellings for manual and intellectual workers— or is lent on mortgage; these investments are effected according to a plan approved by the competent authorities.

Sweden. — A part not exceeding one-quarter of the capital may be invested in loans to establishments whose objects are in harmony with the aims of insurance, e.g. hospitals, sanatoria, homes for the aged and dwellings for the poorer classes; one-third of the funds may be invested in property acquired with the approval of the Government with a view to the prevention or the reduction of invalidity.

§ 2. — Financial and Actuarial Supervision

The aim of *financial supervision* is to verify the regularity of the financial transactions and audit the accounts of insurance institutions. The latter are required to submit an annual balance sheet to the supervisory authorities, who may be officials of a special national institution or the Ministry of Finance.

Actuarial supervision is established with a view to studying the changes in the incidence of claims, the movement of receipts and expenses, and to ascertain whether the experience agrees with the population and financial estimates made when the legislation was being drafted. Insurance institutions are obliged to supply the supervisory actuarial authorities with statistics and technical budgets. Where, for example, the number of beneficiaries exceeds the estimates, the actuarial valuers declare a deficit and take the necessary steps for the re-establishment of financial stability. Actuarial valuations are carried out at intervals which vary from five to ten years in the different countries.

PART V

ADMINISTRATIVE ORGANISATION

CHAPTER I

INSURANCE INSTITUTIONS

INTRODUCTION

Social insurance is the means by which a number of persons limit their liability to loss by associating themselves together for the collective bearing of risk. It is effected by the constitution of a fund, invested with legal personality, which takes over these individuals' relationships as creditors and debtors. The necessary machinery for the collective bearing of their financial risks is provided by the insurance institutions, whose task is the administration of social insurance—that is, the direct and indirect application of the general provisions governing the subject by the drafting of detailed rules. Parallel to the logical idea of the insurance institution as the centre of responsibility of the persons associated for the collective bearing of risks, there is the material idea of it as the accounting and administrative entity which represents them all.

The term "insurance institution" can, however, only be used when the insuring group is evidently financially independent. Systems according to which the social insurance fund is simply a department of the financial and administrative organisation of the public authorities must therefore be excluded. In this case there is no limitation of liability: expenditure is met by the public

authorities wholly out of the general public resources, like that allotted to any other State service. Such a system may be called one of non-contributory pensions, but not of insurance. The management, like the finances, is directly incorporated in the State administration. Systems of this sort are to be seen in the old-age and invalidity pensions schemes in Australia and in the old-age pensions schemes in Canada, Denmark and New Zealand.

But the application of the term "insurance institution" to subordinate bodies must also be defined. If, as in the case of local branches, agencies, etc., the body is not an administrative unit for the purpose of sharing the risks, then it cannot be termed an insurance institution. The branches which an institution must establish in order to maintain close contact with the insured have no independent existence. They are visible extensions of the institution itself. The distinction based on this criterion is naturally flexible, and indeed even an autonomous institution or its subordinate bodies—particularly one dealing with sickness insurance—can be invested with the functions of a branch of an old-age or invalidity insurance institution; this may be seen in the case of the German Federal Miners' Benefit Society, the Austrian Central Institution for Salaried Employees' Insurance (which relies on the help of sickness insurance institutions), the provincial provident institutions in Italy, the social insurance funds in Spain, and so on.

For the same reasons various organs—the Post Office, savings banks, and employers (in the collection of contributions)—used by the insurance institutions, in addition to the bodies specially intended for the purpose, to assist them in the performance of their duties cannot be described as insurance institutions.

The risk with which old-age, invalidity and widows' and orphans' insurance is concerned may be covered either by one or several insuring groups. Accordingly there may be one or several institutions, which may vary in their organisational basis, constitution and administration.

§ 1. — Organisational Basis of Insurance Institutions

ORIGIN

The existence of all insurance institutions is based on some general legislative measure, some Act or Decree having force of law. The task of actually bringing such an institution into being

may be confided exclusively to some State department, which frames the regulations for its foundation; or it may be necessary to call on the assistance of private persons as well; or again the action of the latter alone may suffice. There is therefore a distinction between an institution founded by the public authority (institution of legal origin) and one which is created by private initiative, but in fulfilment of the law (institution of private origin).

The former is founded by a State department, giving concrete form to the stipulations contained in the legislation providing for its creation. In such cases the ruling tendency is to assign the insured automatically to a certain institution without any freedom of choice; if they come under a certain classification, they can only belong to a certain institution. The system is rigid, and a change of institution is not permissible.

Permanence is a characteristic of institutions of legal origin. They can only cease to exist by a modification of the law which created them.

The formation of insurance institutions set up by private initiative is subject to the restriction that certain minimum requirements must be complied with. In particular, a permanent minimum membership is necessary, and this can be secured either by the establishment of a legal minimum figure or by the right, invested by the terms of the Act in the public authority concerned with recognition, of dissolving any institution which in its opinion has not a sufficient membership. Further conditions for recognition are also intended to secure the efficiency of the social insurance institution. They prevent it from working for commercial profit, limit it to the purposes provided for in the Act, require the formation of reserves, etc.

Apart from these minimum requirements, the limitation of the classes of persons authorised to found insurance institutions operates also as a restriction of private initiative. Many laws, it is true, allow any person or association to form insurance institutions; other laws, however, confine this right to certain organised groups or to certain qualified individuals. Even the qualifications required in this connection bear witness to the endeavour to guarantee the viability of the insurance institution.

The authorities have retained, in the formation of insurance institutions of private origin, an influence which varies in intensity. It may be exercised simply in the function of registration, the authority being bound to recognise institutions created by private initiative, if the founders have fulfilled all the legal requirements. Its exercise may also take a more positive form, so that the author-

ities grant recognition only after taking the opinion of certain interested bodies. The authorities may either be bound to grant recognition if all the legal conditions have been fulfilled by the applicants, or they may be entitled to grant it or not, using their discretion within the terms of the law.

The insured have, in the case of institutions of private origin, a varying measure of freedom of choice. The rigid system cannot be applied. Either they are assigned automatically to a certain institution, a contrary wish expressed by the party concerned being nevertheless respected (though in this case it may be the wish of the insured or of the employer or of both which is decisive); or the insured may be allowed an opportunity of choosing and only be assigned, according to his classification, to certain insurance or savings institutions if he does not avail himself of it. There must always be under compulsory insurance at least one institution of legal origin which will stand in reserve and secure the execution of the compulsory principle in the absence of private initiative.

Transfer of membership from one institution to another is possible under the same conditions as governed the original choice of institution by the insured person. Certain difficulties are, however, intentionally introduced in that the change is made dependent, not on the will of the employed, but on some external factor such as a change of employer, or is conditional on the expiry of a certain period of membership.

Permanence under the law is not a characteristic of institutions of private origin, for a certain control of such institutions after their creation exists by the fact that the authorities are permitted or required to dissolve the institution if the membership falls below a certain level and no longer guarantees a sufficiently broad basis for the collective bearing of risks. The withdrawal of recognition—for dissolution can also take this form—may be left to the discretion of the competent authorities, or may only ensue on the infringement of the provisions of the law or of its own rules. The resignation of members in particular may bring an institution of private origin to an end. This theoretically wide possibility of dissolution has an inevitable effect on its financial structure, for the liabilities at all times must be completely covered by the accumulated funds.

Insurance institutions of legal origin only are to be found in *Argentina, Austria, Brazil, Germany, Italy, Luxemburg and Uruguay.*

Both institutions of legal origin and those of private origin (though created in conformity with the law) are met with in *Czechoslovakia*, which in its

salaries employees' insurance provides "substitute" (alternative) institutions to a limited extent, side by side with the General Pensions Institution, and in *Hungary*, where recognised works pensions funds exist as well as the National Social Insurance Institution and the Salaried Employees' Insurance Institution. The recognised works funds in *Alsace-Lorraine* also function as substitute institutions of private origin; but while in these cases the institutions of legal origin still play the more important part, the departmental and other primary funds in *France* stand side by side with equal rights.

The *British* invalidity and the *Belgian* salaried employees' insurance schemes are administered very largely by institutions of private origin, for the Deposit Contributors' Insurance Section, like the National Salaried Employees' Pensions Fund, exists simply to secure the operation of the compulsory principle.

The action of private initiative is limited in the foundation of the *Hungarian* works pensions funds by the requirement of a minimum capital and of a minimum membership for new funds. In *France* a minimum membership of 2,000 is required. In *Great Britain* permission to form a new society is only given when it will not affect the membership of existing institutions.

Recognition is bound to be accorded under the *Belgian* Salaried Employees' Insurance Act if all the legal conditions have been fulfilled by the applicant. In *French* and *British* law, on the other hand, recognition is given according to the discretion of the authority. The same holds good for the withdrawal of recognition and the dissolution of institutions.

In the absence of expressed desire to the contrary the insurance institution of legal origin is competent to insure in *Hungary* and *Czechoslovakia*, while according to *French* law, the *Belgian* Salaried Employees' Insurance Act, and the *British* invalidity insurance scheme, the institution of legal origin is supplementary only.

CONSTRUCTION

The essential features of the general structure of insurance institutions vary according to the principles adopted for the affiliation of insured persons and according to the degree of centralisation or decentralisation in the organisation of the scheme.

Methods of Grouping the Insured

Insured persons may be grouped in insurance institutions in accordance with either of two main principles which profoundly influence the organisation and working of the institutions: territorial grouping or grouping on a personal basis, by branch of economic activity or occupational category.

Those insurance institutions which are operated primarily on a territorial, and only secondarily on a personal, basis hardly take individual characteristics into consideration, but tend to include all the insured persons employed or resident in a certain area. Geographical considerations are thus for the most part decisive, though territorial organisation is hardly ever achieved completely, for there generally exist certain occupational insurance schemes as well. In principle, however, the idea of inter-occupational risk-sharing prevails.

Place of employment or place of residence are decisive factors in the matter of affiliation. The latter is always adopted in schemes of popular insurance, which, ignoring as they do employment and place of employment, are constructed on exclusively territorial lines.

The other types of structure of social insurance schemes may be gathered under the heading of institutions operating primarily on a personal, and only secondarily on a territorial, basis. To this group belong in particular the schemes which leave the formation of the institutions to private initiative and conceive social insurance law as a strengthened friendly society law, as regards individuals belonging to social insurance societies. Not geographical position but freedom of association is of importance. In principle the personal basis is in no way limited. The rules of such associations indeed might themselves make restrictions, but even these can be expressly declared inadmissible.

A further distinction can be made according as the legislation takes branch of economic activity or occupational category as its criterion for organisation on a personal basis.

Grouping by branch of economic activity takes the individual characteristics of the various branches of industry, the highly developed feeling of solidarity and the great similarity of risks into consideration, and assumes the form of special schemes for certain industries, in particular for mining and agriculture.

If occupational category is taken as the basis, a line of demarcation is drawn between the two main classes, salaried employees and workers, as distinguished by their mode of employment, the legal nature of their remuneration, etc.

Workers in the same branch of economic activity can also be grouped according to occupational category.

Employment by a certain undertaking can be of importance in personal grouping when substitute institutions of legal origin are set up by employers or when works funds are established by the employees as voluntary associations.

Finally, membership of trade unions can be regarded as affecting the personal organisation in the case of institutions of private origin.

The *German* invalidity insurance, the *British* contributory pensions, the *Spanish* old-age insurance schemes, and the old-age and invalidity insurance schemes in *Bulgaria*, *Denmark*, *Italy*, *Luxemburg* and other countries are in principle organised on a territorial basis.

The approved societies of the *British* and *Irish* invalidity insurance schemes represent personal organisation in its freest form, while the *French* primary funds can also be constituted as free societies without restriction.

Special schemes of insurance by industry are established for those employed in the mining industry in *Austria, Belgium, Czechoslovakia, France, Germany, Hungary, the Netherlands and Poland*, for those employed in agriculture in *Austria and France*, also for other types of employment—for instance, staffs of banks and private undertakings of public utility in *Argentina*, railway and harbour workers in *Brazil*, seamen and harbour workers in *Cuba*, tobacco workers in *Greece*, and transport workers in the *U.S.S.R.*

Grouping according to the distinction between salaried employees and workers is to be found in *Austria, Belgium, Czechoslovakia, Germany, Hungary, Luxemburg and Poland*.

Social classification cuts across occupational grouping in the organisation in the *German Federal Miners' Benefit Fund*, divided into workers' and salaried employees' groups, and in the *Austrian agricultural insurance scheme*, which possesses a workers' fund and an old-age and invalidity insurance fund for salaried employees.

Finally, it is the idea of employment in a certain undertaking which receives expression in the *Czechoslovak salaried employees' substitute funds* and in the employers' pensions funds of the *Hungarian old-age and invalidity insurance scheme*.

Centralisation and Decentralisation

Another important distinction, that between centralisation and decentralisation, refers to the geographical arrangement within the territory of a State, whether the territorial or personal basis of organisation has been adopted or not. There is either a single insurance institution, which may be established on a territorial or an occupational basis, or a number of independent institutions which stand side by side in co-ordination but are not amalgamated.

Centralisation need not be evident on the surface: it can exist where a number of institutions stand side by side in apparent independence; and, even when the organisation is actually decentralised, a substitute for centralisation can be introduced. This may be done in two ways. A system of reinsurance can be created, and the various institutions, in other respects autonomous and decentralised, then pass on partly or completely the risks which they have covered. The creation of such a central or reinsurance institution can, thanks to its broad basis, absorb fluctuations in the risk and so avoid the danger of insufficient financial strength which always threatens the efficiency of institutions if they are numerous and too small. The other substitute for centralisation is the creation of an equalisation fund where the deficit of one institution is compensated for by the surplus of another—in other words, where the total burden is distributed. A fund, which need never exist in reality but only for accounting purposes, thus performs its functions above the heads of the autonomous decentralised insurance institutions.

Such centralisation can be limited in respect of the matter or the time for which it is applicable; it may apply in respect of certain risks only or for the duration of a deficiency only.

Austria, Bulgaria, Czechoslovakia, Hungary, Italy, Luxemburg, the Netherlands and Poland are countries whose social insurance schemes are strictly centralised. This is also true of the salaried employees' insurance scheme in *Germany*, of that of the miners in *Belgium, France and Germany* and of the contributory pensions scheme in *Great Britain and Northern Ireland*.

Decentralisation modified by a reinsurance system is to be found in the *British and Irish* invalidity and in the *Belgian* salaried employees' insurance schemes. The *German* general invalidity insurance scheme possesses an externally decentralised organisation, but has created a veiled centralisation by establishing an organ which bears the whole risk. Advanced decentralisation is applied in the *French* general scheme, the *Belgian* salaried employees' insurance scheme and the annuity and pensions funds set up by all *Brazilian* railway undertakings. In the two former schemes, equalisation machinery has been set up, if only on a small scale, but in *Brazil* there is no such arrangement.

§ 2. — Constitution of Insurance Institutions

DEPENDENT CONSTITUTION

The management of insurance institutions can be entrusted wholly to a department of State administration. In this case (dependence on an external authority) the social insurance institution can be given legal personality side by side with, and apart from, the State department (in so far as it is not reduced to a State old-age pensions fund); it is the centre of responsibility in the system of rights and duties arising out of social insurance. Its legal position is thus that of a public authority; its offices are filled by the appointment of civil servants, whose responsibility and term of office are determined by the general regulations for the Civil Service.

MIXED CONSTITUTION

The State can also share the management of institutions with the interested parties, that is, principally workers or insured persons and employers, in proportions varying according to circumstances.

The representation of the interested parties is of decisive psychological importance in securing the acceptance of the idea of social insurance, and it therefore plays a more or less important part in almost all schemes of genuine social insurance.

This representation may be governed by the proportions in which the contribution is shared. Numerical parity is guaranteed only in cases of equal nominal burden, but it is only apparent and external, for the effects of the contributions required of the employer on the wage level and of the transfer of the incidence of his contributions to the insured cannot be taken into consideration.

Where parity does not exist, representation may be in proportion to the unequal contributions or to the particular interest which one party is supposed to have in social insurance, irrespective of the sharing of contributions. This may even mean the complete exclusion from management of a party which is judged to have no interest in it, and this is particularly the case when the standpoint is not that of the payment of contributions but that of the benefits to be provided. The idea that it is ultimately the worker who pays the contribution also seems to carry some weight.

If the State reserves to itself the right to participate directly, to a greater or less extent, in the management, it does so both in order to give expression to the interests of the whole community, which is not unconcerned in social insurance, and also in order to exert the influence belonging to it in virtue of the subsidies which, in many countries, it contributes to the insurance funds. Direct State participation in administration is in such cases limited to the executive bodies, and, in particular, the right of nominating the president of the social insurance institution is generally reserved to a high public official.

In the mixed system, which can also be described as that of limited autonomy, the insurance institution possesses a legal status resembling in some respects that of a public authority. Without being made exactly equivalent to a public authority, it has a series of powers which make it impossible to regard it even as a particularly privileged association. It enjoys penal powers (in a limited measure), freedom from postal charges, considerable legal protection of its executive organs in the exercise of their functions, privileges in the matter of taxation, etc. Insurance institutions may, however, possess nothing more than the legal status of privileged associations: the law relating to friendly societies has simply been adapted to the needs of social insurance institutions.

The following bodies are charged with the administration of insurance institutions: a deliberative body (general meeting), an executive (committee of management), and a committee for the supervision of management (supervisory committee); various local bodies (district agencies, payment offices, etc.) may assist them. Institutions by no means always possess all these bodies: in one case there may be no general meeting, in another case no supervisory committee.

The whole group of persons who have combined for the collective bearing of risk (the members) is the ultimate sovereign body of an insurance institution, but is generally only active as an electorate.

From among these members, representatives of the whole group are elected to a sort of Parliament, the general meeting, which functions principally as an organ of deliberation and initiation, particularly for the purpose of framing general rules (the constitution, for instance); naturally such bodies are composed exclusively of the interested parties. A committee is usually appointed out of or by the general meeting to deal with the routine of business, and this body takes over the executive in the same way as a board of directors or a cabinet. For financial control special organs are often formed, as also for the payment of benefits, in which matter experts may be called upon to give their opinion or to vote. If such representative bodies formed from among the interested parties do not function satisfactorily, power is taken to appoint an autocratic State Commissioner.

Finally, the staff, so important for the practical efficiency of the institution, must be mentioned. It is usually under the orders of the directorate and has at its head a nominated official; its internal organisation is usually fixed by the rules.

Appointment of office-bearers by nomination is the natural course in the case of the State Commissioner and the other persons acting for the State, and is general in that of the directors and the staff. The other office-bearers, however, are often simply elected or, in the case of representative bodies, nominated and then elected by vote. The nomination is usually made by the authority responsible for the application of the insurance scheme, the Minister concerned, or even the head of the State. The power of the general meeting to appoint representatives of the interested parties can be limited by a right to propose names vested in certain groups, or by the fact that the choice must fall on one of a number of legally designated office-bearers or is subject to the consent of Parliament.

Election is the method of securing the representation of the interested parties which accords best with democratic ideals. It can be modified by the influence of persons not directly concerned in the insurance, in so far as a right of confirmation is vested in the authorities. The right to nominate accorded to the associations of interested parties, in particular trade unions and other bodies, such as chambers of labour and chambers of commerce, is of great practical importance, for it is intended to take the place of election. A further official confirmation not being necessary, it is distinguished from the right to propose names mentioned above. Nomination by associations of interested parties, which are themselves usually elected, is therefore indirect election.

The various and highly divergent methods of election in force in different States (proportional representation, direct election, secret ballot, universal suffrage) are also of great importance.

A point of technique must also be noticed—the division of the parties qualified to vote into an employers' and a workers' group, which is the alternative to the unity of the whole electorate. Division into groups, which can be extended within the two sections as a form of proportional representation for the protection of minorities, may make itself felt in the elected body and beyond it in the organisation of the institution itself. This is an example of the efficient protection of minorities: and serves democratic ideals by carrying over into social insurance the policy of compromise.

The qualifications of a voter and of a candidate often do not correspond. The office-bearers of an insurance institution must generally fulfil certain conditions, in addition to possessing ordinary legal capacity. Full enjoyment of political rights, etc., is usually necessary; in order to guarantee a certain familiarity with local conditions, domicile or a minimum period of residence in the area of the institution is sometimes required; while the representative of the insured persons must often be insured with the institution itself—a condition which is natural in the case of institutions of private origin. In certain instances, however ordinary representatives of employers or workers, in particular officials of trade associations, are qualified to function as office-bearers of social insurance institutions by reason of their accurate knowledge of the subject and of the wishes and interests of those they represent.

Salaries are often given only to actual officials, while honorary office-bearers receive either no payment at all or simply reimbursement for lost time and expenses.

The officials charged with the application of social insurance legislation are responsible to the State and are liable under the Civil, Administrative or Penal Codes.

The term of office of a person owing his appointment to the interested parties need not coincide with that of persons appointed by the State, and varies widely in different countries.

The office-bearers of social insurance institutions are bound to secrecy on official matters, which may include knowledge, gained in the execution of their duties, of the business conditions of employers, the individual circumstances of insured persons and the internal situation of the institution. This obligation does not apply to questions put by superiors in the institution and by ordinary, or special insurance, courts.

Freedom to vote and to exercise their functions is guaranteed to representatives of the insured persons, in particular as against their employers.

INDEPENDENT CONSTITUTION

An independent constitution, which leaves the administration of social insurance institutions exclusively to the interested parties and excludes the State, raises all the questions mentioned in the section on mixed constitution. There are therefore no fresh factors in the problem of the legal status of the insurance institutions and of their component bodies as far as the representation of the interested parties is concerned, and the observations concerning mixed constitution may be taken as also applying here.

The insurance schemes of which the institutions are of a dependent character comprise mainly those where the insurance fund is administered directly by the State, without the creation of any insurance society. Such is the case in *Belgium* (workers), *Denmark* (invalidity) and *Great Britain and Northern Ireland* (old age and death).

In several other countries the management is entrusted to genuine insurance institutions, invested with legal personality but administered more or less directly by the State. In the *Netherlands* the State Insurance Bank is managed by officials appointed by the Queen. In *Spain* the National Welfare Institute is managed by a Council of Patrons and several committees, most of the members of which are appointed by the public authorities.

The majority of other schemes possess institutions of a mixed character, in which representatives of the insured, the employers and the State participate, but which have a status closely resembling that of a public authority. As examples may be cited:

The *Austrian* Central Institution for Salaried Employees' Insurance, the *Belgian* National Salaried Employees' Pensions Fund, the *Czechoslovak* Central Insurance Institution, the insurance institutions set up by the *German* Federal Insurance Code, the *Italian* National Social Insurance Fund, and the *Luxembourg* Salaried Employees' Pensions Fund.

The constitution is fully independent in *France*, where the primary funds are administered by representatives elected by the general meeting, and in *Great Britain and Northern Ireland* and the *Irish Free State*, where the approved societies which administer invalidity insurance are managed solely by the elected representatives of insured persons. The institutions in question in both countries enjoy the legal status of privileged associations.

There are many and varied methods of appointing the representatives of interested parties in the different countries, and the examples given here can do no more than substantiate and illustrate the above classification.

In the case of the *Belgian* salaried employees' insurance scheme and of the pensions scheme for bank employees in *Argentina*, appointment is in the hands of the head of the State, and in the latter country the consent of the Senate to the appointment by the head of the State of the president of the pensions fund for staffs of private undertakings of public utility is also necessary. Indirect election in the shape of nomination by the associations of interested parties is to be found in *Germany* and *Austria*. In *Italy* a wide measure of State control is guaranteed by the right of confirmation. Direct election is provided for in *France* and *Great Britain*.

The division of the electorate into employers' and workers' groups is to be seen in the *Austrian*, *Belgian*, *Czechoslovak*, *German*, *Hungarian* and *Polish* systems, but is unknown in *France*.

The following may be quoted as examples of the different bodies composing institutions.

Deliberative bodies: the delegate meeting of the *Argentine* pensions scheme for staffs of private undertakings of public utility; the general meeting of the *Austrian* Central Institution for Salaried Employees' Insurance; the Committee of the *Czechoslovak* Central Social Insurance Institution; the committee of an invalidity insurance institution in *Germany*; the committee of management of an approved society in *Great Britain*; the governing bodies of the *Italian* National Social Insurance Fund, and the *Luxemburg* Old-Age and Invalidity Insurance Institution.

The function of directorate is exercised by the committee of management of the *Argentine* pensions scheme for staffs of private undertakings of public utility, the governing body of the *Austrian* Central Institution for Salaried Employees' Insurance, the governing body of an invalidity insurance institution in *Germany*, the committee of management of an approved society in the *British* invalidity insurance scheme, the executive committee of the governing body of the *Italian* National Social Insurance Fund, and the committee of the *Luxemburg* Old-Age and Invalidity Insurance Institution.

The control of financial policy is undertaken by the *Hungarian* Committee for Financial Supervision, and the board of auditors set up by section 19 of the *Italian* Decree of 30 December 1923.

Payment of benefits is dealt with by the pensions committee of the *Austrian* Central Institution for Salaried Employees' Insurance, the Superior Committee for Old-Age Pensions of the *Belgian* workers' insurance scheme, and the *Hungarian* Pensions Assessment Committee.

The appointment of a State administrator to take over the management of institutions the governing bodies of which have been dissolved is provided for under the workers' insurance schemes in *Austria*, *Czechoslovakia*, and *Luxemburg*.

The term of office of officials of the pensions institutions for bank staffs in *Uruguay* is two years, half retiring every year. In *Argentina* (bank staffs), *Bulgaria* (Pensions Board), *Cuba* (seamen and harbour workers), *Czechoslovakia* (miners), *Netherlands* (miners) and *Uruguay* (staffs of public utility undertakings), the duration is three years, and in *Argentina* (staffs in private undertakings of public utility), *Austria*, *Czechoslovakia*, (workers) *France* (miners), *Italy* and *Luxemburg*, four years. The Federal Insurance Code and the salaried employees' insurance scheme in *Germany* provide for a period of five years. The *Belgian* salaried employees' insurance scheme and the general old-age insurance scheme of the *Netherlands* provide for a six-year period, though in the latter case half the officials retire at the end of three years.

§ 3. — Administration of Insurance Institutions

FUNCTIONS

If the functions detailed elsewhere in this volume are classified, the following grouping can be made.

The registration of insured persons and those from whom contributions are due by means of lists of all the insured or of lists which employers are obliged to furnish, and the inspection of undertakings liable to insurance form the first group of functions of insurance institutions.

The institution appears in the capacity of creditor in relation to

persons from whom contributions are due, whether employers or insured.

The institution is on the contrary debtor, actual or potential, towards insured persons with a claim to benefit. In this group of functions are included payment of benefit, supervision of beneficiaries, and organisation of benefits (e.g. agreements with doctors, chemists, homes for the aged, hospitals).

The institution is responsible for the management of its capital resources and so for their investment under the conditions prescribed by law. In certain schemes the institutions are obliged to hand over all or part of their funds to be invested by bodies possessing special competence in this matter, e.g. savings banks, ministries of finance, etc.

PROCEDURE

It is not possible here to do more than select certain of the more important characteristics, which vary from country to country, and even from one scheme to another, of the procedure adopted within social insurance institutions for the exercise of their manifold functions.

The institutions have to establish their competence themselves, though it is in many cases provided that insurance with an incompetent institution counts as fulfilment of the obligation. If claims against incompetent institutions are substantiated, the latter are legally bound to undertake the transference to the competent institution in order that the claimant need not suffer by any dispute about competence.

An action may be brought either officially by the insurance institution, at the instance of one of the parties, by *actio popularis*, or by intervention of the public authorities.

The procedure may be purely private ("office decisions"); it can take the form of sessions (in particular, on matters of administration) or of negotiations (in the case of claims). According to circumstances, the various principles of evidence from either party, oral procedure, appearance in person, informal procedure, etc., may be applied. The consultation of experts in particular is often provided for.

The cost of the procedure is usually treated as part of the general administrative costs of the institution. It may, however, be borne by one of the parties engaged in the procedure: for instance, by persons whose contributions have been in arrears.

FEDERATIONS

The grouping of independent institutions into one or more federations must be distinguished from the formation of reinsurance institutions and of organs which bear the whole risk. It must, however, be observed that the contrast which is described shortly as co-ordination *versus* subordination affords a criterion of limited utility, for there are transitional stages between the two situations which make practical classification difficult and even arbitrary.

The federation or organised collaboration of institutions has a definite purpose—that of facilitating and guaranteeing the accomplishment of the functions of each of the various institutions. The idea of giving both the insuring group and the benefit-paying organisation a wider basis has effect even if there are difficulties in the way of formal amalgamation into one or a few great institutions. This policy of federation for administrative purposes is a concession to the idea, or a first step in the direction, of wider insuring groups.

The purpose of such federation expresses itself in the type of organisation and in its powers. One or several administrative units, according to the degree to which risks are to be concentrated by this means, will be formed and given legal personality, an independent budget and separate executive bodies.

Federations owe their origin either to private initiative, if their formation is voluntary for the institutions concerned, or to legal prescription, in which case the formation is obligatory and the federations are therefore all-inclusive.

The basis is primarily either territorial or personal. It is necessary above all that the institutions associating themselves together should have been established on the same principle. A distinction might also be made here between federations of an occupational, and those of an inter-occupational, character. The Association of Substitute Funds in *Czechoslovakia* and the Union of Insurance Institutions for Intellectual Workers in *Poland* may be cited as examples.

The legal status of a federation may be analogous to that of the original institutions or stronger or weaker. For instance, a union of institutions which are of the nature of public authorities may only have the legal status of an association or *vice-versa*.

TABLE OF INSURANCE INSTITUTIONS, SHOWING THE COMPOSITION
OF THEIR ORGANS OF DELIBERATION OR MANAGEMENT

Country and scheme	Institution and organs	Composition of organs: representatives of		
		State	Employers	Insured
Argentina				
Staffs of private undertakings of public utility	1 National superannuation and pensions fund: Committee of management	1	4	4
Bank staffs	1 National superannuation and pensions fund: Committee of management	1	2	2
Austria				
Workers	1 Workers' insurance institution: General meeting	1	130	130
	Governing body	9	20	20
Salaried employees	1 Central institution: General meeting	0	Equal	
	Governing body	0	Equal	
Belgium				
Workers	1 General savings and pensions fund	—	—	—
Salaried employees	1 National pensions fund: Governing body	5	5	5
	Several independent works funds	0	Equal	
	Several joint funds	0	Equal	
	Several approved insurance companies	—	—	—
Miners	1 National pensions fund: Governing Body	Not fixed	6	6
	Technical and financial committee	3	3	3
Brazil				
Railway and harbour workers	51 Superannuation and pensions funds: Committee of management of each fund	0	3	2
Bulgaria				
General scheme	1 State-administered social insurance fund: Superior labour and workers' insurance council with advisory powers	26	8	8
	Pensions board	7	2	2
Chile				
Workers and salaried employees	1 National fund: Welfare council	4	2	2

Country and scheme	Institution and organs	Composition of organs· representatives of		
		State	Employers	Insured
Cuba Seamen and harbour workers	1 Maritime pensions fund: Committee of management	1	2	2
Czechoslovakia Workers	1 Central insurance institution: Committee	1	12 elected plus 8 appointed by Minister	12 elected plus 8 appointed by Minister
	Governing body	1	3 elected plus 2 appointed by Minister	3 elected plus 2 appointed by Minister
Salaried employees	1 General pensions institution: Committee	1	14 elected plus 3 appointed by Minister	14 elected plus 3 appointed by Minister
	Governing body	1	4 elected plus 1 appointed by Minister	4 elected plus 1 appointed by Minister
Miners	38 Substitute institutions	—	—	—
	1 Central benefit society: General meeting	0	1/3	2/3
	Governing body	0	4	16
Denmark Invalidity	1 State-administered invalidity insurance fund: Board of directors	3 whereof 2 doctors	1	2 members of sick funds
France General scheme	About 60 miscellaneous funds covering invalidity, old age and death, e.g. primary funds, mutual benefit societies, works funds	Varies with type of fund		
Miners	1 Autonomous pensions fund: Governing body	6	6	6

Country and scheme	Institution and organs	Composition of organs: representatives of		
		State	Employers	Insured
Germany Workers	29 Regional insurance institutions: Committee of each fund	0	5	5
	Governing body of each fund	Not fixed	Equal but at least	Equal
	5 Funds for railwaymen and seamen	—	—	—
	1 Federal insurance institution: Governing body	1	12	12
	Directorate	Max. 5	3	3
Salaried employees	9 Approved private substitute funds	—	—	—
	1 Federal benefit fund: General meeting and governing body, each	0	$\frac{2}{6}$	$\frac{3}{6}$
Miners				
Greece Tobacco workers	1 Insurance fund: Committee	4	3	3
Great Britain and Northern Ireland Invalidity	8,135 Approved societies and branches administered by delegates of insured persons	0	0	Varies with society
Old age and death	1 State-administered pensions account	—	—	—
Hungary Workers and salaried employees	1 National social insurance institution: General meeting	1	20	20
	Directorate	1	5	5
Irish Free State Invalidity	98 Approved societies and branches administered by delegates of insured persons	0	0	Varies with society
Italy General scheme	1 National social insurance institution: Governing body	9	8	9
	Executive committee	5	3	3

Country and scheme	Institution and organs	Composition of organs: representatives of		
		State	Employers	Insured
Luxemburg Workers	1 Old-age and invalidity insurance institution: Governing body	1	Equal	
Salaried employees	1 Pensions fund: Governing body Several works funds	1 —	Equal —	—
Netherlands General scheme	1 State-administered insurance bank: Supervising council with advisory powers	Odd number appointed by Minister	4 appointed by labour council	4
Miners	1 General fund: General meeting	0	6	6
Poland Intellectual workers	4 Territorial institutions federated in 1 association: Governing body of each institution	6	6	10
Workers	2 Institutions: one for Western Provinces: Governing body one for Upper Silesia: Governing body	6 5	6 4	10 4
Miners	Funds in Southern Provinces: Governing body Funds in Upper Silesia: Governing Body	6 0	6 5	10 5
Rumania General scheme	1 Central social insurance fund	5	5	5
Spain General scheme	1 National welfare institute: Council of patrons Directorate National joint committee with advisory powers Several collaborating funds	52 members, viz. 21 ordinary (1 worker and 1 employer); 9 supernumerary; 8 honorary, representing collaborating funds; 9 honorary, of social merit. 6 members appointed by council of patrons		
		0 —	12 —	12 —
Sweden National scheme	1 State-administered pensions board	—	—	—

Country and scheme	Institution and organs	Composition of organs: representatives of		
		State	Employers	Insured
Uruguay				
Staffs of public utility undertakings	1 Superannuation and pensions fund: Directorate	3	3	3
Bank and exchange staffs	1 Superannuation and pensions fund: Directorate	1	2	2
U.S.S.R.				
Invalidity	About 500 funds administered by workers' delegates appointed by trade unions	—	—	—
Yugoslavia				
Salaried employees	1 Pensions fund	0	Equal	
Miners	5 funds	—	—	—

CHAPTER II

SUPERVISION

INTRODUCTION

It is the task of the State to see to the proper application of social insurance, since it is responsible for making suitable provision for old age and invalidity on behalf of a considerable section of the population, and for taking measures for the welfare of surviving dependants.

To a large extent this task falls within the sphere of the State's own immediate competence. In particular, the general provisions which form the legal basis of social insurance are in the main determined by national legislation, only a relatively unimportant part being taken in this connection by bodies which derive their authority by delegation from the State (independent rule-making by the insurance institutions).

As regards the application of these general provisions, the position is different. Part of the work is performed by the State through its own departments, another part by bodies which derive their authority by delegation from the State, namely, the social insurance institutions, while still another part is performed jointly by State departments and social insurance institutions.

In so far as the State itself administers social insurance, the general rules of administration apply. The supervision of the State over the application of social insurance in such a case is merely the normal supervision which a higher authority exercises over the lower in the civil service. Consequently, when the administration of social insurance is left entirely to departments of State, supervision is exercised through the ordinary administrative hierarchy.

In so far as the application of social insurance is entrusted jointly to independent institutions and to State departments, the part played by the State is one of collaboration. When there is a partial

delegation by the State of its authority in the matter of social insurance to insurance institutions, then the latter and the State departments together form a composite body without whose unanimous approval no action has legal force. In this case the influence of the State is weaker than in the first type, but it is a direct influence, and is stronger than in the case where the State authority is delegated entirely to independent social insurance institutions. In this last case, the influence of the State is exercised in the form of supervision and is relatively weak. Nevertheless, it is necessary for the State, which is responsible for social insurance legislation, to balance the autonomy granted to the insurance institution by supervision over the institution and its branches, so as to guarantee the application of social insurance in conformity with the law within the State and, in particular, the application of any international Conventions which might be adopted on the subject. Thus the organisation of supervision in the social insurance system is one of its most essential features.

§ 1. — Nature of Supervision

COLLABORATION AND SUPERVISION

Collaboration and supervision can both be embraced by the term "supervision" as used in its widest sense. This means that supervision is the counterpart of the right of making and applying rules independently, and that the democratically organised independent insurance institution is subordinate to the general State administration. This is justified by the necessity for securing uniformity in law and by the quasi-official position or duties of the insurance institution.

Whereas the collaboration of State departments in the application of social insurance by self-governing institutions is in essence concerned with questions of policy, supervision by State departments is concerned with legal questions. In the case of collaboration, the State departments double their influence if they have a direct share in the management of the insurance institution equally with the persons concerned. In this case of course, they are also jointly responsible for the management. On the other hand, in the case of supervision in the narrower sense of the term, the State departments merely see that the self-governing institutions actually apply the provisions of the law, while leaving them

complete and unassailable freedom of judgment within the field of activity prescribed for them by law.

The supervisory authorities thus unite two functions in themselves: on the one hand they share in the practical application of social insurance, and on the other hand they supervise the legality of the administration of social insurance by the insurance institutions.

SETTLEMENT OF DISPUTES

The general supervision of the legality of the acts of insurance institutions includes the settlement of disputes in certain special cases. These include disputes concerning elections, disputes between different bodies in the insurance institutions, and the interpretation of the rules of the institutions. In these cases the basic idea is that, in order to guarantee the harmonious working of social insurance, such disputes should not be settled by the general authorities for dealing with disputes, but by the special supervisory authorities. It is an appreciation of the importance of the public interests involved which leads to the transfer of disputes to special bodies set up under public law.

CONSULTATION AND AUDIT

In view of the wide acquaintance with the real conditions of social insurance which the supervisory authorities gain in the course of their work, they are often granted consultative powers with a view to the development of social insurance institutions.

In addition, they sometimes act as auditing authorities, and their reports on the work of the insurance institutions, particularly if they include conclusions drawn from the audit, are also of importance for the development of social insurance.

In both cases this work is of use, not merely to the bodies to which the advice is addressed or to which the reports are sent (Ministries, Parliament or the head of the State), but also to the institutions which are thus advised or reported upon, for in practice the supervisory authorities tend to become expert advisers to these institutions.

When the legislation does not expressly provide for the creation of a special consultative or auditing authority, these functions are often carried out by the supreme executive authority in the field of social insurance, since in many cases the supreme supervisory

authority is also responsible for the drafting and preparation of legislation, and thus possesses consultative and auditing functions in a veiled form.

One important point which might be developed internationally is that in many cases it is made compulsory for the statistics of the working of insurance institutions to be published periodically or occasionally, while in other cases the balance sheets of the institutions have to be published. The public in this way becomes better acquainted with the services of social insurance—it may even criticise them—but the result is to root social insurance firmly in its mind. The publication of the results of audit is provided for, e.g., in *Austria, Czechoslovakia, France and Germany*. In *Cuba and Luxemburg* the balance sheets of the insurance institutions have to be published.

§ 2. — Supervisory Authorities

TYPES

Among the bodies entrusted with supervision over social insurance institutions or collaboration with these institutions, a distinction can be made according as they are special authorities or State authorities. It is only in rare cases that legislative bodies collaborate directly in the administration of social insurance.

When supervision or collaboration is left to the general State authorities, a distinction must be made between the two normal types of authorities to whom the supervision might be left.

It is rare for supervision to be left to the law courts, which would, however, in view of their independence and irremovability, guarantee legality in the exercise of supervision. They play an important part in supervision only in that they have jurisdiction in cases involving the liability of the insurance institutions or their branches for damages, which are generally dealt with by the civil courts. They never collaborate with the insurance institutions in the administration of social insurance.

The bulk of the responsibility for supervision and collaboration rests with the administrative authorities, the hierarchical organisation of which renders them subject to strong governmental and political influence. In certain circumstances special authorities, not belonging to the State department concerned with social policy, are given certain powers of supervision, particularly when the insurance institution has been organised under a special scheme (e.g. for miners).

The special authorities concerned with social policy which exercise supervisory functions are never judicial, but always administrative, authorities, and act side by side with the general administrative authorities.

Where insurance institutions are organised in a hierarchy, the superior institutions exercise supervision over the subordinate ones.

Legislative bodies take part in the administration of social insurance only in *Bulgaria*, in so far as the National Assembly has the right to discuss the budget of the social insurance fund.

Judicial supervision is met with in the *German* Salaried Employees' Insurance Act, which provides that the accounts of the Federal Insurance Institution shall be audited by the Court of the Accounts of the German Federation.

Supervision and collaboration are assigned to the State department concerned with social policy in *Austria* (Federal Ministry of Social Administration), *Belgium* (Ministry of Industry, Labour and Social Welfare), *Brazil* (National Labour Council), *Bulgaria* (Ministry of Commerce, Industry and Labour), *Cuba* (Secretary of State for Agriculture, Trade and Labour), *Czechoslovakia* (Ministry of Social Welfare), *Ecuador* (Ministry of Social Welfare), *France* (Ministry of Labour), *Great Britain* (invalidity: Ministry of Health), *Hungary* (Ministry of Social Welfare and Labour), *Italy* (Ministry of Corporations), *Luxemburg* (Department of Labour and Social Welfare), the *Netherlands* (Ministry of Labour), *Poland* (Ministry of Labour and Social Welfare; Ministry of Industry and Commerce for miners in Upper Silesia) and *Sweden* (Ministry of Social Affairs).

Supervision and collaboration are entrusted to special authorities in *Alsace-Lorraine* (Social Insurance Office), *Germany* (Federal Insurance Office or State insurance offices) and the *U.S.S.R.* (Central Social Insurance Department in the People's Commissariat of Labour). The *Irish* Insurance Commission occupies an intermediate position. There is a personal link between the supervisory and collaborating body on the one hand, and the chairmanship of the board of directors of the insurance institution on the other in *Argentina* and in *Spain*. In the *Netherlands* the insurance councils, composed partly of elected, and partly of nominated, members, are adapted to the peculiar system of insurance in that country, which is administered almost entirely by the general State authorities.

Supervision by superior insurance institutions is met with in the National Welfare Institute in *Spain* with regard to the regional insurance funds, to each of which a delegate is appointed by the higher body. Similarly, the *Polish* Order of 29 November 1930 grants certain rights of supervision to the Federation of Intellectual Workers' Insurance Funds.

ORGANISATION

The authorities entrusted with supervision or collaborating directly with the insurance institutions in the administration of social insurance may be centralised or decentralised.

In the former case the functions are usually exercised directly by the State departments which the law designates as competent in social insurance matters (Ministries). Sometimes special organs (supervisory committees) are entrusted with this task, either in virtue of legal provisions or in conformity with the internal organisation of the department.

A decentralised system of supervision has been developed in large countries where the numerous insurance institutions are also decentralised. In this case the bodies entrusted with supervision and collaboration correspond to one or several of the insurance institutions. In order, however, that supervision may be uniform, it is provided that an appeal may be made to some superior authority in the same system or to an authority in a different system (courts).

Supervision is centralised in *Argentina, Austria, Belgium, Brazil, Bulgaria, Cuba, Czechoslovakia, Denmark, Ecuador, Germany* (salaried employees' insurance), *Great Britain, Hungary, the Irish Free State, Italy, Luxemburg, the Netherlands, Rumania, Spain and Uruguay.*

The organisation of supervision is decentralised in *France* (departmental or inter-departmental social insurance service), *Germany* (State insurance offices under general scheme; special offices under miners' scheme) and the *U.S.S.R.* Uniformity in supervision is ensured by placing it under the Federal Ministry of Labour in Germany, the Ministry of Labour in France, and the Ministry of Labour and Social Welfare in Poland.

§ 3. — Supervision in Practice

POWERS OF SUPERVISORY AUTHORITIES

A description is given below of a few typical means of supervision, that is to say, a survey of the powers generally granted to supervisory authorities to enable them to fulfil their functions, viz. rights to be consulted, to information, to grant or withhold approval, to give final decision, to pronounce dissolution.

The right of being consulted as experts is expressed in the power given to the supervisory authorities to be represented at meetings of social insurance institutions in an advisory capacity.

As a result of their right to obtain information and explanations, the supervisory authorities may not only request admission to meetings, but may also ask to see books, documents, minutes, reports, etc., concerning the management of the insurance institution.

Intermediate in character between supervision and collaboration is the power of approval. In essence, if not in appearance, the decision or the issue of regulations is the action of a composite body consisting of the insurance institution and the collaborating supervisory authority. The decision or regulations of the insurance institution, to be valid and effective, must be expressly approved by the supervisory authority, especially in connection with the drafting or amendment of the constitution and the preparation of the budget.

The exercise of the power of veto implies collaboration. Any decision or order of the insurance institution has a conditional validity, in that it may be suspended or resolved by an act of the collaborating supervisory body which is contrary to the act of the insurance institution. This includes, in particular, the right to suspend decisions of the insurance institution until a further decision is taken by the supervisory authority.

Within the field of supervision and as a continuously effective measure, the supervisory body has the right to take an independent decision in cases referred to it. Here the supervisory body is acting as a court of appeal and may have the right to quash decisions or orders of the insurance institution. It may also amend such decisions, especially where they concern financial administration.

The supervisory authority may be given power to take any measures which should have been taken by the insurance institution but which it has delayed or refused to take. This power of intervention may be limited to convening meetings, or may extend to taking decisions or issuing orders. Any measures taken in virtue of the power of intervention are deemed to be the acts of the insurance institution, and in addition the institution has generally to bear the costs involved.

A final means of supervision resides in the power to dissolve individual organs of the insurance institution. This generally involves State control and the temporary loss of autonomy, but as a rule it does not affect the legal existence of the insurance institution. The discretionary power of the supervisory authority when the necessity occurs may be very wide (when the organ is unable to fulfil its essential task, or when it is being managed in a way which is harmful to the interests of the insured persons or the welfare of the institution). In the case of independent insurance institutions, withdrawal of recognition or dissolution is the last and strongest means of supervision. Regulations exist providing a guarantee against the permanent loss of autonomy by the substitution of purely bureaucratic organs, in that after a certain period steps must be taken to reconstruct the organ which has been dissolved.

The *German Federal Insurance Code* imposes fines in the case of failure by the insurance institution to observe the legislation or its own rules. Similar provisions are contained in the *Austrian Workers' Insurance Act*, the *Austrian Agricultural Workers' Insurance Act* and the *Polish legislation*. Special disciplinary penalties are likewise provided in the *Czechoslovak miners' insurance scheme*.

The right to be consulted in an advisory capacity is prescribed by the

legislation in *Austria, Czechoslovakia, Germany and Poland*. The right to information and explanations is provided for in *Austria, Czechoslovakia, Germany, Hungary, Luxemburg and Poland*.

Certain legal acts, and particularly the amendment of the rules and the establishment of the budget, require to be sanctioned in *Argentina, Austria, Cuba, Germany, Great Britain (invalidity), Hungary, Italy, Luxemburg, Poland and the U.S.S.R.*

The power of veto is granted in *Austria, Czechoslovakia, Germany, Hungary, the Netherlands, Poland and the U.S.S.R.*

The supervisory authorities have an independent right of decision in *Austria, Great Britain (invalidity), Luxemburg, the Netherlands and the U.S.S.R.*

The power of intervention, especially for convening meetings, establishing the budget or issuing writs of elections exists in *Austria, Czechoslovakia, Germany, Poland and Yugoslavia*.

The power of dissolution exists in *Austria, Belgium, Czechoslovakia, France, Hungary, Poland and Yugoslavia*. In *Italy* dissolution extends even to the legal existence of an insurance institution. The power of withdrawing recognition is granted by the legislation in *Belgium, Czechoslovakia, France, Great Britain, Hungary and the Irish Free State*. The organs which are dissolved must be replaced by new organs within eight weeks according to the *Austrian Salaried Employees' Insurance Act*, two months according to the *Austrian Workers' Insurance Act*, six months according to the *Czechoslovak Salaried Employees' Insurance Act*, and two years according to the *Polish* legislation.

THE COST OF SUPERVISION

The cost of supervision may be borne by the authority which exercises it, that is in general the State, or by the institutions which are supervised, that is to say, the insurance institutions. The cost may be specified as a lump sum or as a percentage, or the distribution may be left to the decision of the supervisory body.

The cost of supervision is borne by the State in *Belgium and France*, and by the insurance institution in *Austria, Czechoslovakia, Hungary, Italy, Luxemburg and Poland*. In *Italy* the fee for supervision is one per thousand of the annual income from premiums.

PART VI

SETTLEMENT OF DISPUTES

INTRODUCTION

Social insurance can be applied only with the help of sanctions, which may take the form of penalties or executions. The procedure which leads to the application of such sanctions may be termed "social insurance procedure".

The sanctions may be applied to all persons who are in any way connected with the application of social insurance. The procedure which leads to execution in the widest sense of the term is of great social importance. At the same time, the regulations concerning offences and penalties in different States are so closely adapted to particular cases that there seems little possibility of agreement upon international regulations in this field.

The examination and settlement of certain points which are of importance (but only indirectly) for the practical application of social insurance are sometimes transferred from social insurance procedure to some other form of procedure. This separation of preliminary questions concerning such points from social insurance procedure has the possible advantage that many questions of importance in other spheres than that of social insurance legislation, and particularly those which, like liability to insurance, affect labour law, can be decided by this other form of procedure, whereby an appearance of uniformity throughout the whole judicial system is created. There are, however, the very grave disadvantages that in this case the examination of the facts and the settlement of the dispute are not carried out by a procedure fitted to the special needs of social insurance, that there is generally no consultation of the parties interested in social insurance, and that, further, conflicts

may arise as to whether the decision of the one type of authority is binding on the other type.

Where the system of judge-made law prevails, it is hardly possible to lay down standards beforehand. When one authority is to be bound by the decisions of a superior authority, then definite standards must be laid down. Deviations from precedents are, as a rule, only possible if strict rules of procedure are followed.

Apart from decisions in concrete cases, judicial authorities may issue binding interpretations of general social insurance standards.

§ 1. — Causes of Disputes

PARTIES TO DISPUTES

Social insurance procedure and the causes of the disputes which set the procedure in motion can be analysed according to the nature of the parties in dispute. A dispute with regard to the application of social insurance rules may arise between:

- (a) the insurance institution and the employer: e.g. with regard to questions of the payment of contributions, the liability of the undertaking to insurance, the liability of the worker, the reckoning of wages, etc.;
- (b) the insurance institution and the worker or insured person or claimant: e.g. with regard to questions of liability to insurance, competence to insure, the right to be insured, and more especially all questions directly connected with the granting of benefit ;
- (c) employers and workers or insured persons: e.g. with regard to the payment of contributions, damages for failure to fulfil obligations under the insurance scheme or to fulfil them at the proper time;
- (d) one insurance institution and another: e.g. with regard to competence, reimbursement of benefit expenditure, transfers, etc.;
- (e) insurance institutions and their assistants, such as doctors, chemists, hospitals, etc., with regard to fees.

SUBJECTS OF DISPUTE

Social insurance procedure can also be analysed according to the subjects of dispute, that is, according to the types of legal relation-

ships which may appear in the practical application of social insurance. Such disputes may arise with regard to:

- (a) membership of the insurance scheme: e.g. liability to insurance, the right to be insured, or competence of institutions;
- (b) collection of contributions: e.g. the payment of contributions, the calculation of wages or of contributions;
- (c) benefits: e.g. the organisation or the payment of benefits;
- (d) management: e.g. the investment of funds or the keeping of accounts;
- (e) elections;
- (f) the constitution of the social insurance institution.

The following sections will deal solely with disputes concerning benefits, which are by far the most numerous and the most important from a social point of view.

§ 2. — Authorities for the Settlement of Disputes

TYPES

The settlement of disputes arising out of the application of social insurance may be entrusted to the general executive authorities or to special executive authorities for social legislation, exclusively or concurrently, with equal rights or the one being subordinated to the other.

The general authorities of the State system of administration are the courts, which are endowed with independence and irremovability. A distinction must be made, however, between administrative and civil courts, and in particular according as the latter can have a direct or indirect influence by the settlement of preliminary questions. In addition to the courts, subordinate administrative authorities, acting on instructions from superior authorities, may also take action.

There are also, however, special executive authorities dealing solely with the application of social legislation. These may be constituted in the form of social courts or social administrative authorities.

In many cases these social executive authorities are specialised in that they do not deal with the application of social legislation in general but only with certain parts of the same. Thus, for

instance, we find labour courts, social insurance courts, or, in the sphere of administrative organisation, factory inspectorates, etc.

The institution of labour courts has given an impetus to the development of special social judicial authorities. In addition to these, therefore, social insurance courts have been set up in numerous States.

From the point of view of social insurance procedure, the committees for the fixing of annuities or pension boards are amongst the most important social administrative authorities.

In almost every country, even when special social executive authorities have been set up, the organisation for the settlement of disputes concerning social insurance is grafted on to an existing organisation for the general application of national legislation. Where there is a highly developed system of administrative authorities dealing with social insurance, the bodies competent to deal with social insurance disputes will be linked up with this administrative system. When, on the other hand, the general judiciary is the basis for the organisation of bodies to deal with social insurance disputes, then these bodies will be grafted on to the judicial system.

This problem is also closely connected with the organisation of the social insurance institution itself. When there is a single institution extending its activities over the whole of a State, then the organisation for the settlement of disputes will also tend to be centralised and unitary. If, on the other hand, there are several insurance institutions, each competent for a certain area, this fact will have to be taken into account and the bodies for the settlement of disputes similarly organised.

It is further of great importance to know whether social insurance disputes are settled by one court or may pass through several instances. In the latter case it is important, especially with regard to questions of principle, that the course of justice should lead to one single court, which will ensure uniformity in the setting up of standards.

Analysis of National Legislation

It is only to a limited extent that the general executive authorities are entrusted with the settlement of disputes concerning insurance benefits. The ordinary courts, that is to say, the general civil courts, have sole competence for this task according to the two *Argentine* Acts, the *Cuban* Act, the *French* Miners' Insurance Act, and the two social insurance Acts of *Uruguay*. In *Bulgaria* disputes concerning benefit are settled by an administrative court. In the *British* old-age insurance scheme an administrative authority, namely, the National Health Insurance Joint Committee, is responsible for the settlement of disputes. The bodies which deal with disputes under the *British* invalidity insurance system may be considered as private arbitration boards.

There are a great number of States which have entrusted the settlement of disputes concerning benefits to special executive authorities for social legislation.

The authorities administering social insurance deal with disputes concerning benefits in the *Belgian* salaried employees' insurance scheme, in *Brazil*, *Denmark* and the *U.S.S.R.*

Social insurance courts have been set up in *Austria*, *Czechoslovakia*, *France*, *Germany*, *Hungary*, *Italy*, *Luxemburg*, the *Netherlands* (miners), *Poland*, *Spain* and *Yugoslavia* (miners). While the regulations in *Czechoslovakia* (miners), *Germany*, *Italy*, the *Netherlands* (miners), *Spain* and the *U.S.S.R.* are based on the administrative organisation of the social insurance institutions, the regulations in *Austria*, *Czechoslovakia*, *France*, *Hungary* and the *Netherlands* are based on the existing judicial organisation.

Save in *Austria* and the miners' insurance scheme in the *Netherlands*, these social insurance courts provide for several instances. The higher instance is the same in structure as the lower one in *Czechoslovakia*, *Germany*, *Hungary*, *Italy*, *Luxemburg* and the *Netherlands*. In *France*, the higher instance is the general civil court, whereas the lower instance is the special court. In the *Yugoslav* miners' insurance scheme the limited right of appeal from the special social insurance courts is to the social administrative authority, namely, the Ministry.

COMPOSITION

The question of the composition of these authorities in view of the peculiarity of social insurance procedure must be considered not only in the case of the special executive authorities, for which it is of great importance, but also in the case of the ordinary executive authorities. Even in this latter case, the interested parties, that is, the employers and workers or insured persons, may be represented. This is done on account of their special competence in the occupational questions involved. In recent years, moreover, special officials are being trained in social administration and social law so that they may have a complete knowledge of social administration in general and of social insurance in particular.

The bodies dealing with the settlement of disputes may be composed solely of parties not connected with the dispute (judges and administrative officials) even when the settlement is entrusted to special executive authorities; one feature which is particularly important in the case of invalidity insurance is that boards of medical experts may be constituted the authorities for the settlement of disputes.

The bodies for the settlement of disputes may also be composed of disinterested members and interested members; in this case, the disinterested members are generally granted a casting vote or the right to provide the chairman of the body.

Analysis of National Legislation

Social insurance courts have joint representation of insured persons and employers in *Austria, Czechoslovakia, France, Germany, Hungary, Italy and Luxemburg.*

FORMATION

There is no need to discuss in detail the qualifications which must be fulfilled by those not directly interested in order to become members of a body for the settlement of disputes; the matter is covered by the general regulations concerning the organisation of judicial or administrative authorities. Moreover, either by legislation or in practice, special stress is laid on expert experience, particularly when setting up special social executive authorities. There is only one question which need be discussed in some detail. In the case of social insurance courts, the disinterested persons and particularly those appointed as chairmen and given a casting vote, are generally persons with some knowledge of the law. In many cases they must have the necessary qualifications for holding a post as judge, and in other cases only judges, whether active or on pension, are appointed to such positions. When a judge still in active practice is called upon to deal with a dispute by social insurance procedure, he brings into the procedure an element of absolute independence, so that there is no possibility of a higher court giving instructions or exerting influence. If the members representing the interested parties are also declared to be independent persons, then this section of the court is also immune from outside influence or intimidation.

For the representatives of the interested parties on bodies for the settlement of social insurance disputes, the same qualifications are generally required as for the holding of office in a social insurance institution. In order to ensure that the course of justice will not be in any way influenced, it is generally a rule that no one who holds office in an insurance institution can at the same time be a member of a social insurance court.

The members of these courts may be elected or nominated; election can apply only to the representatives of the interested parties, while nomination applies to the disinterested members, or may be applied, in addition to the method of election, in the case of the representatives of the interested parties. The latter may have the privilege of proposing their representatives. If such a privilege is in any way binding, then there is a close connection between the process of nomination and the process of election.

The election is generally carried out by the same bodies as are responsible for appointing the officers of the social insurance institution. Nomination is generally in the hands of the highest executive power in the country (the head of the State or a Minister).

Analysis of National Legislation

Judges still in active service are entrusted with the presidency of special social insurance courts in *Austria, Czechoslovakia, France, Hungary* and *Italy*. In *Germany*, on the other hand, judges are brought in merely as assessors. The general Insurance Act in the *Netherlands* merely requires a knowledge of the law from the disinterested members.

Officials of the social insurance institutions are excluded from membership of the courts in *Austria, Czechoslovakia, Italy* and *Luxemburg*.

The disinterested members are appointed by election in *Austria, Czechoslovakia, France, Germany* and *Luxemburg*. In *Italy* they are nominated by the Prefect or Minister, on the proposal of the interested parties.

The term of office of members is three months in *France*, four years in *Austria, Italy* and *Luxemburg*, and six years in *Czechoslovakia*.

§ 3. — Procedure for the Settlement of Disputes

TYPES OF PROCEDURE.

Social insurance procedure may be regulated by special rules or the general rules of procedure may be applied—for example, the rules of civil, penal or administrative procedure. This question may, but need not necessarily, be settled by the nature of the body appointed for the settlement of disputes.

The types of procedure can be classified in another way according to whether the dispute is brought before a tribunal or a conciliation board.

Analysis of National Legislation

Compulsory conciliation is a preliminary to the disputes procedure in *Italy*. Conciliation is optional in *Austria* and *France*.

RULES OF PROCEDURE

The competence of the courts is generally examined *ex officio*. It must always have a territorial basis, and may sometimes be determined by further criteria, such as the amount of the sum in dispute, the nature of the benefit, the subject of dispute, etc. The territorial basis may be determined by the domicile of the plaintiff or the defendant, or the headquarters of the insurance institution.

The procedure begins at the instance of either party, the authorities, or a third party. Welfare institutions, for example, may have the right to institute proceedings.

It is very important for the plaintiff to know whether he is entitled or bound to be assisted by counsel. The obligation to be assisted by counsel prevents to a certain extent the bringing of irresponsible actions, and at least ensures expert conduct of the case. On the other hand, it often involves such a heavy burden for the insured person that it makes it difficult, or even impossible, for him to enforce his rights. For that reason it is never compulsory to obtain the assistance of counsel in procedure of first instance.

The procedure generally consists in the case being heard under the direction of the president of the court, who is responsible for its proper conduct. The documentary evidence must be produced at this stage if this was not done when application for a hearing was made; it is at this stage, also, that experts should be consulted. In practice the consultation of experts, and particularly doctors, is of great importance. In quite a number of cases the degree of invalidity has to be determined solely on the basis of the expert report, although theoretically the court is not bound thereby.

The question of costs is also very important. On this point in particular the extent to which the social insurance procedure is imbued with the true social spirit may be highly significant. With due regard to the necessity for preventing irresponsible actions from being brought before the court by the threat of heavy costs, it is nevertheless desirable to guarantee, by an international Convention, that insured persons should have a right of appeal in case of disputes regarding benefit, without having to pay any fee.

The rapidity of the procedure cannot be regulated by legal standards. At the same time, if there is a tendency to delay decisions, pressure can be exerted, not only by disciplinary measures, but also by providing that the competence of the court shall automatically be transferred to a higher instance if the primary body does not take a decision within a specified period from the day on which the claim was made, or (which is less effective) from a certain day in the course of procedure, such as the conclusion of the hearing.

Mutual assistance by authorities is particularly important in the field of social insurance when the authorities for the settlement of disputes are not competent to carry out certain parts of the procedure, and must apply to other authorities (swearing in of witnesses, etc.), or when the insurance institution can or may appeal to these

authorities to take certain action. In many cases the authorities generally are bound to afford mutual assistance.

Analysis of National Legislation

The competence of the bodies for the settlement of disputes is determined according to the headquarters of the insurance institution (the defendant institution, or possibly the institution with which the plaintiff was last insured) in *Argentina, Austria, Czechoslovakia, France and Luxemburg*; it is determined by the domicile or workplace of the insured person in *Germany and Italy*.

There is a unique but socially interesting provision in *Italian* legislation according to which the proceedings of the court must take place on a holiday or in the evening.

Italian law also grants a restricted monopoly of representation to the National Institute for Social Welfare. The assistance of counsel is compulsory in appeal cases under the *Czechoslovak Salaried Employees' Insurance Act*.

The same Act definitely prohibits the court from making the person who loses the case responsible for the costs. The payment of costs by the loser is possible in *Austria, Germany, Italy* and the *Netherlands* (miners).

The *Czechoslovak Workers' Insurance Act* and *Salaried Employees' Insurance Act*, and the *Austrian Order of 19 October 1929* are examples of legislation which prescribes that the ordinary civil courts shall give legal assistance during the hearing of evidence. Compulsory legal assistance is provided for in the *Austrian Salaried Employees' Insurance Act*.

RIGHT OF APPEAL.

An appeal against the decisions of the court of first instance should be lodged within a certain period either with the judge of that court or with the judge of the appeal court. It may be that disputes concerning a sum which does not exceed a certain figure cannot be made the subject of appeal, or an appeal is permitted only under certain conditions. The appeal may be permitted in cases of every kind, or may be limited to cases of faulty procedure, particularly when the proceedings in the court of first instance are null and void. The appeal may be to one or two higher instances.

The great social importance of the right of appeal lies in the serious effects which decisions concerning claims to benefits, which may be a question of life or death for the insured person, may have. When this is borne in mind, attention must be paid to one factor which has frequently been somewhat neglected in the development of social insurance procedure in various States. This is the question of the grounds for appeal. As a rule the right of appeal is allowed merely where the formal rules of procedure have been infringed. A certain advance is made when the general revision of the legal basis of the decision of the court of first instance is permitted. It is only to a very limited extent, however, that the questions of fact can be revised. Yet it is the latter which are

of particular importance to the plaintiff in cases where he is claiming benefit.

The composition of a court of appeal, already referred to in another connection, depends to a very great extent on the degree to which appeals are permitted. If the questions of fact could be revised, then, in every country where social insurance courts have been set up, the interested parties who were represented in the court of first instance would naturally have to be represented in the court of appeal. So far, however, no national system of legislation, with one single exception, has drawn this conclusion.

Analysis of National Legislation

There is no appeal against the decisions of the first court in the *Austrian* salaried employees' insurance scheme, *Argentina*, *Belgium*, *Brazil*, *Bulgaria*, *Denmark*, the *Netherlands* miners' insurance scheme, and *Uruguay*. The illegality or faultiness of the procedure may give rise to an appeal in *Czechoslovakia*, *France*, *Germany*, *Italy*, *Spain* and *Yugoslavia* (miners). In the *French* miners' insurance scheme, as also in *Cuba* and in the general scheme in the *Netherlands*, it would appear that the whole proceedings can be revised. In the *Czechoslovak Miners' Insurance Act*, provision is made for a complete revision by a supreme court, on which the interested parties are represented.

PART VII

POSITION OF FOREIGNERS

§ 1. — The Problem

In principle the legislation of the several countries for compulsory insurance against invalidity, old age and death covers both national and foreign wage earners whose place of employment is in the country where compulsory insurance is in force, without conditions of nationality or residence. There still remain, however, a number of countries whose legislation provides for exceptions to this general principle based on the nationality and sometimes on the place of residence of the foreign worker.

Such restrictions on foreign workers appear to be inconsistent with the nature and purpose of compulsory social insurance.

Compulsory social insurance reveals itself more and more as a necessary complement to the wage system. The generally low level of wages does not allow the wage earner voluntarily to put aside from his pay a sum large enough to cover the occupational and social risks to which he is exposed. At the most it may be granted that by dint of constant thrift the worker might be able to provide himself with an old-age pension, but in the majority of cases it is manifestly impossible for him adequately to cover the risks of invalidity and premature death. Individual thrift must of necessity be to a great extent replaced or at least supplemented by compulsory insurance, which is no less essential for foreign than for national workers.

As a general rule, compulsory insurance entails a contribution from the employer and a contribution from the insured person which represent a substantial fraction of the latter's wages. If foreign workers were not subject to compulsory insurance, no

contributions could equitably be demanded either from them or from their employers. As a result of this there would be an appreciable difference between the cost of national and of foreign labour, leading inevitably to a preference for the employment of foreign labour.

Equality of treatment between national and foreign workers seems, therefore, to be essential, as much from the social standpoint as for the purpose of protecting the country's own workers. Important restrictions prejudicial to foreign workers still exist, however, even under recently promulgated legislation. It is proposed to consider first the restrictions laid down by law in respect of admission to compulsory insurance, right to benefit, participation in the management and constitution of administrative and judicial institutions, and secondly, the extent to which these statutory provisions have been modified and reduced by bilateral treaties concluded among a certain number of countries.

§ 2. — Restrictions on Admission to Compulsory Insurance

The admission of foreigners to compulsory insurance is generally automatic. Under the legislation of certain countries, however, they are either excluded or admitted only subject to certain conditions.

In *Bulgaria* (general scheme) the admission of foreigners to compulsory insurance is conditional on reciprocity guaranteed by law.

In *Denmark* the admission of foreigners to the invalidity insurance scheme is subject to the conclusion of a Convention guaranteeing reciprocity between the respective countries.

In *France* under the general scheme introduced by the Act of 30 April 1930, the position of foreign wage earners varies according as their real and permanent residence is in France or abroad:

- (a) If their real and permanent residence is in France and if they have worked there regularly for less than three months, they are not insured and their risks are not covered, although both they and their employers are liable to pay contributions. These restrictions may be removed by the conclusion of a Convention guaranteeing reciprocity.
- (b) If their residence is abroad and their permanent place of employment has been in France for less than three months, they are not insured and their risks are not covered although

contributions are due as in the previous case. This restriction may not be removed by the conclusion of a Convention guaranteeing reciprocity. If, on the other hand, their place of employment has been in France for at least three months, they are admitted to compulsory insurance provided that a Convention has been concluded with their country of origin.

In *Switzerland*, under the recent National Insurance Act, contributions are levied on foreigners who have lived in Switzerland uninterruptedly for a year, provided that their stay begins before the end of the civil year during which they complete their fifty-fifth year of age.

In *Sweden* foreigners are not admitted to the national pensions insurance scheme.

§ 3. — Restrictions on the Right to Benefit

Foreign workers who have been admitted to compulsory insurance and whose contributions have been paid both by themselves and their employers are as a general rule entitled to the same benefits as the national workers in the same position. There are, however, certain exceptions to the rule of equality of treatment prejudicial to foreign insured persons.

INEQUALITY IN RESPECT OF CONDITIONS OF AWARD

In *Luxemburg* (workers) the qualifying period is 1,350 contribution days for nationals and 2,700 days for foreign insured persons.

WITHHOLDING OF ADDITIONAL ALLOWANCES GRANTED BY PUBLIC AUTHORITIES

The law does not recognise the right of foreigners to additional allowances at the expense of the public authorities in the following cases:

Belgium: (workers; salaried employees; miners);
Czechoslovakia (workers);
France (general scheme; Alsace-Lorraine);
Italy (general scheme);
Spain (general scheme).

In *France*, as regards the general scheme, it is not strictly speaking a State subsidy that is in question but allowances and

partial pensions payable by the Augmentation and Joint Business Fund which intervenes in particular to guarantee the payment of the minimum old-age and invalidity pensions fixed by law, and to supplement invalidity pensions or the capital sums paid on decease by the payment of extra allowances for children.

These restrictions may be abolished by reciprocity guaranteed by law in *Belgium*, *Czechoslovakia*, *France* (Alsace-Lorraine) and *Italy*, and by reciprocity guaranteed by Convention in *France*.

§ 4. — Restrictions on Participation of Foreigners in the Management of Administrative and Judicial Institutions

Compulsory insurance against invalidity, old age and death is administered in most countries by insurance funds in the management of which representatives of the insured persons and the employers take part. Similarly, disputes arising between insured persons and the insurance funds are frequently submitted to a tribunal which includes representatives of the insured persons and representatives of the employers. Where such institutions exist, foreign insured persons are sometimes both voters and eligible for election, or voters and ineligible for election, or again entirely excluded from any part in the management of the organs of the insurance fund or in the constitution of the tribunal.

(a) Foreign insured persons take no part in the management of the fund and the constitution of tribunals in the insurance schemes of the following countries:

Austria (salaried employees);
Belgium (workers; salaried employees);
France (miners);
Germany (salaried employees);
Rumania (general scheme in former Kingdom);
Sweden (national scheme).

(b) Foreign insured persons are entitled only to vote in the following insurance schemes:

Bulgaria (general scheme);
Cuba (seamen and harbour workers);
Czechoslovakia (miners);
France (general scheme; salaried employees in Alsace-Lorraine);
Germany (workers);
Hungary (workers and salaried employees);
Italy (general scheme);
Luxemburg (workers; salaried employees);
Poland (workers in Western Provinces; intellectual workers; miners in Upper Silesia and in Southern Provinces).

(c) In all other insurance schemes foreigners have the same rights as nationals, and may both vote and stand for election. The legislation of some countries contains, however, certain provisions intended to prevent the influence of foreigners from becoming preponderant in the managing committees of the funds by stipulating that there shall be fewer foreigners than nationals on these committees. This is the case in *Argentina* (bank staffs) and in *Brazil* (railway and harbour workers).

BILATERAL TREATIES

A certain number of bilateral treaties concluded chiefly during the last ten years have abolished or considerably reduced the restrictions imposed on foreigners by the legislation of the countries concerned. The following list shows the treaties at present in force or recently concluded and not yet ratified:

- Austria-France: 27 May 1930 (not yet ratified).
- Belgium-France: 23 August 1930.
- Denmark-Irish Free State: 13 October 1927.
- France-Italy: Labour Treaty of 30 September 1919: arrangement made in pursuance of this Treaty, 22 May 1924.
- France-Poland: Convention relating to social assistance and welfare of 14 October 1920; convention of 21 December 1929.
- Germany-Austria: 5 February 1930.
- Germany-Czechoslovakia: 21 March 1931 (not yet ratified).
- Germany-Poland: 11 June 1931 (not yet ratified).
- Germany-Yugoslavia: 15 December 1928.
- Italy-Luxemburg: 11 November 1920.
- Italy-Yugoslavia: 20 July 1925.

All these treaties abolish the restrictions in respect of admission to compulsory insurance and inequality of benefits. On the other hand they leave untouched the restrictions in respect of the participation of foreign insured persons in the management of insurance funds and the constitution of the tribunals.



PART VIII

MAINTENANCE OF MIGRANTS' PENSIONS RIGHTS

INTRODUCTION

National schemes of compulsory invalidity, old-age and widows' and orphans' insurance have in principle territorial force only. The obligation to insure is bound up with employment and ceases, by definition, at the frontiers of the State.

Payment of benefit is also conditional on the completion of a qualifying period, on the possession of the status of insured person at the moment when the event insured against happens, and sometimes on residence in the country of the institution responsible for the payment of benefits. The movement of the insured person from one country to another therefore usually entails considerable restriction of his right to benefit.

The problem raised and its possible solutions are quite different according as the case considered is that of a person who is in the course of qualifying for a pension or that of a person who has already qualified. The two chapters which follow deal, therefore, with (1) the maintenance of pensions rights in course of acquisition; (2) the maintenance of rights to pensions already granted.

CHAPTER I

MAINTENANCE OF PENSIONS RIGHTS IN COURSE OF ACQUISITION

§1. — The Problem

The right to a pension is, in most national schemes, conditional on the completion of a qualifying period and on the retention of the status of insured person during the time which elapses between the termination of this period and the happening of the event insured against. In this respect the provisions of national legislation can be more or less severe, and demand either continuous affiliation during the whole of such time, or the payment of a certain number of contributions during a shorter time immediately preceding the happening of the event.

These are fundamental principles of national legislation; what are their consequences for the worker who leaves the country where he is insured to seek employment in another ?

In the country which he leaves the worker, being no longer engaged in insurable employment, is no longer an insured person; he has no rights as against the institution to which he was affiliated, and the contributions which he—or his employer for him—has paid—are lost even if he had completed the prescribed qualifying period and contributed for many years.

In the country which he enters, if there is a compulsory insurance scheme and if he engages in an insurable employment, he becomes a compulsorily insured person and has to fulfil all the conditions imposed by the new legislation for the grant of a pension—that is to say, he has to complete a fresh qualifying period and retain the status of an insured person until the risk matures. His rights and obligations in relation to the new insurance institution are determined without regard to his situation in relation to the institution to which he was affiliated in the country he has left.

It follows that a worker who has been compulsorily insured and has paid contributions in two or three countries for a number of years may, in the case of invalidity, find himself without any right to

benefit or, in that of premature death, leave his wife and children without any claim to survivors' pensions.

Such cases are frequent, for a very large number of workers have migrated during the last fifty years. Strict application of the territorial principle which dominates national legislation on compulsory insurance therefore entails grave injustice for the workers. They are compelled to contribute, deduction being made from their wages, and it may be impossible for them to benefit by the payments which are the proper counterpart of such contributions; nor can they be held responsible for the state of the labour market, which compels them to move from one country to another, whether or no they desire to do so, in order to earn their livelihood.

Under these conditions there is a strict moral obligation on States to find an equitable solution for the problem of the maintenance of the rights of persons who are in the course of qualifying under invalidity, old-age and widows' and orphans' insurance schemes.

The following paragraphs outline national legislation on the subject and the international solutions now in force or capable of application.

§2. — Solutions provided by National Legislation and their Inadequacy

In order to secure the maintenance of pensions rights in course of acquisition, national legislation must solve the problems of the qualifying period and the retention of the status of insured person.

QUALIFYING PERIOD

The completion of a qualifying period is always required when the legislation of the country which the insured enters provides for such a period, for the new institution cannot free him from this obligation without unfairness to the other workers who are members of the same institution.

The legislation of the new country can afford him no redress, and the insured person must therefore complete a fresh qualifying period in conformity with it.

RETENTION OF THE STATUS OF INSURED PERSON

The worker who leaves a country where he has been compulsorily insured has, according to national legislation, two means of retaining

to a certain extent at least the status which he has already acquired in the country he is leaving. One is admission to voluntary insurance and the other the payment of a continuation fee. Very few are the schemes which, like that of the *Netherlands*, automatically and without limit of time, maintain rights acquired by the payment of contributions.

Voluntary Insurance

The worker ceases to be compulsorily insured in the country which he leaves, but he may be admitted to voluntary insurance under certain conditions if he wishes. This solution is permitted in the following schemes.

Austria. — Salaried employees: the contribution of the voluntarily insured person is usually 12 per cent. of the average salary upon which contributions were calculated during the last twelve months of his compulsory insurance.

Belgium. — Miners: the insured person himself fixes the rate of the contribution which he will pay as a voluntarily insured person above the limit fixed by the law as minimum contribution according to age and sex.

Bulgaria. — General scheme: admission to voluntary insurance is subject to the completion of a qualifying period of 156 weeks in compulsory insurance; the contributions are the same as under compulsory insurance.

Germany. — Workers: the insured person may contribute in any wage class. Salaried employees: the insured person must contribute according to his actual income, but at least in the second wage class. Miners: the insured person must contribute in a wage class corresponding to at least half of the wages he received when he was last compulsorily insured.

Great Britain and Northern Ireland. — General scheme: admission to voluntary insurance is subject to the completion of a qualifying period of 104 weeks in compulsory insurance; the contributions are the same as under compulsory insurance.

Hungary. — Workers and salaried employees: admission to voluntary insurance is subject to the payment of at least thirteen or twenty-six weekly contributions during the last year or two years before the cessation of compulsory insurance. Miners: admission to voluntary insurance is subject to the completion of sixty months' membership as a compulsorily insured person; the contributions are the same as under compulsory insurance.

Irish Free State. — General scheme: admission to voluntary insurance is subject to the completion of a qualifying period of 104 weeks in compulsory insurance; the contributions are the same as under compulsory insurance.

Luxemburg. — Workers and salaried employees: in salaried employees' insurance voluntary insurance is permitted after thirty months have been passed in compulsory insurance. The contribution is equal to 10 per cent. of the last wage or salary received by the insured person if it was not less than 7,200 francs a year. The contribution may, however, be reduced to 5 per cent. of the wage or salary if the insured person is incapable of paying a higher rate.

Poland. — Workers in Western Provinces and intellectual workers: in the latter scheme the rate of contribution for voluntary insurance is fixed in conformity with the principles of private insurance, and calculated on a remuneration not less than the last basic salary under

compulsory insurance, unless the insured person can prove that his actual income is less than his last basic salary.

Rumania. — General scheme in former Kingdom: admission to voluntary insurance is subject to the completion of a qualifying period of 200 weeks in compulsory insurance; the contributions are the same as under compulsory insurance. Miners in Ardeal: admission to voluntary insurance is subject to the completion of a qualifying period of eight years in compulsory insurance; the contributions are the same as under compulsory insurance.

Spain. — General scheme: affiliation to voluntary insurance must follow immediately on termination of compulsory insurance.

Switzerland. — National scheme: any person of Swiss nationality may remain affiliated if he maintains his contributions.

It is very doubtful whether admission to voluntary insurance can be considered as a satisfactory solution.

The insured person has no longer an employer in the country he has left, and therefore cannot benefit by the employer's contribution, which is of great importance in the legislation of almost every country. The insured person has therefore to support the double burden of the worker's and the employer's contribution, either because the law compels him to do so or because he wishes by this effort to retain the right to the normal benefits of the system to which he continues to belong.

But in most cases the wages which he receives in the new country do not permit him to support this double burden; either he pays a smaller contribution, which reduces his benefits to meagre proportions when the event insured against happens, or he discontinues voluntary insurance and thus loses all the rights which correspond to the contributions he has paid.

The difficulty of keeping up voluntary insurance contributions to an institution in the country which the insured person has left will be even greater if he is subject to compulsory insurance in the country where he is working, for he will then have to pay contributions in the two countries, and this, except in the rare case of workers receiving very high remuneration, will prove impracticable. If a worker moves successively into a third, or even a fourth country, the maintenance of his rights, by insuring voluntarily under several schemes, is obviously out of the question.

In view of the practical difficulty of sending contributions from one country to another at short intervals even though a few well-paid workers might be able to keep up double or even treble contributions, it will be admitted that the maintenance of insurance of rights by means of voluntary insurance is confronted by almost insurmountable obstacles and is capable of no more than very limited application.

Continuation Fees

A worker leaving a country may retain the status of insured person by paying the insurance institution to which he was affiliated a continuation fee at a flat rate, as a rule reasonably low. This is the system provided for in the following countries.

Czechoslovakia. — Workers and salaried employees: 10 Kc. a year.

Germany. — Miners: RM. 0.50 a month.

Hungary. — Miners: 0.40, 0.60, 0.70 or 1 pengo a month according to wage class.

Netherlands. — Miners: 0.10 fl. a month.

Poland. — Miners in Upper Silesia: 0.50 zloty a month.

This method of maintaining insurance rights has certainly a greater practical value than voluntary insurance. The fee is reasonably low, it is due at fairly long intervals, and it can be paid without great difficulty even when the worker is obliged to insure afresh in the country to which he has migrated.

This system, however, is provided for in a very small number of countries only, and though it permits retention of rights already acquired at the moment of leaving a country, it does not increase them and can therefore be of no great value except to persons who have paid numerous contributions and already acquired the right to a considerable potential benefit.

It must therefore be concluded that the steps taken by national legislation to provide for the maintenance of pensions rights are inoperative or insufficient, and that an international solution should be sought.

§ 3. — International Solutions

The international solutions which are at present embodied in bilateral treaties between States, or which might be adopted, to permit workers moving from one country to another to maintain their pensions rights in course of acquisition, may be classified as follows:

- (a) regular transfer of contributions to a single insurance institution;
- (b) Maintenance of rights in each country and distribution of the pensions liability between the respective insurance institutions;
- (c) transfer of the capital representing acquired rights.

Further, certain circles have recently considered the creation of an international institution which could be charged with organising or supervising the maintenance of the pensions rights of workers moving from one country to another, and the establishment of an international tribunal to decide disputes which might arise out of the application of the treaties.

REGULAR TRANSFER OF CONTRIBUTIONS TO A SINGLE INSURANCE INSTITUTION

This system, which is apparently the oldest, was adopted in the Italo-German agreement of 31 July 1912 and re-applied on 8 July 1920. By the terms of this agreement the insured person's share of the invalidity, old-age and survivors' insurance contributions of Italian wage earners working in Germany is, at their request, transferred to the Italian National Social Insurance Fund and credited by this body to the emigrated workers in view of a possible payment of benefit in conformity with Italian legislation.

Germans residing in Italy are entitled to be registered with the Italian fund under the same conditions and with the same effect as Italians, subject to a possible repayment of the contributions paid, according to the scale prescribed. The contributions, including those which third parties have paid on behalf of the insured, are repaid at the request of the latter or his dependants, if the insured, while the insurance is still in force, dies or leaves Italian territory; in the latter case the contributions are repaid to the insured person himself.

Such a system of regular payments to a single institution, generally belonging to the country of origin of the insured person has no doubt certain advantages in the case of seasonal or temporary migration. The worker remains protected by insurance in his own country where his status as a person insured under his national scheme is in no way affected by temporary events.

When, on the other hand, it is a matter of prolonged or permanent settlement abroad, the application of this system gives less satisfactory results. The immigrant is obliged to insure in the country where he is working; he pays contributions which are generally fixed according to his rate of remuneration and adjusted in consideration of the risks covered, the components and amount of the pensions, and the financial system provided by the legislation of that country. These contributions have then to be transferred to another national institution to give the right to benefits which have been determined

by another legislation, and which may differ profoundly from the first as regards definition of risks covered, conditions of award, components and amount of pensions, and financial system. The insured person may thus find himself in the position of obtaining the full advantage neither of the pensions provisions in the country in which he is working, nor of those in his country of origin. After a residence of twenty-five or thirty years abroad, for instance, the insured person, when the risk matures, receives in his country of origin a pension which corresponds neither to the contributions which he has paid, nor to his standard of living in the country in which he has been working, nor to the risks covered by the legislation of that country, and he will hardly admit that such is an equitable solution. Besides, this system will necessitate a special agreement on the subject of those components of pensions which are not represented by contributions—bonuses or subsidies paid by the public authorities. Finally, it must be conceded that the cost of the regular transference of contributions which are generally due at fairly short intervals (weeks, months) is high in proportion to the small sums which will be transferred.

MAINTENANCE OF RIGHTS IN EACH COUNTRY AND DISTRIBUTION OF PENSIONS LIABILITY BETWEEN THE RESPECTIVE INSURANCE INSTITUTIONS .

This is the principle applied in most of the bilateral treaties at present in force or signed. The following paragraphs give a summary of the essential elements of this method, a tabular analysis of the treaties, and an indication of the imperfections of the system.

Essential Elements of the System

1. *Addition of the periods of insurance completed in different countries to calculate qualifying period and maintain continuity of insurance.* — Periods of insurance completed in different countries and not overlapping are added together in order to make up the qualifying period and to maintain the continuity of insurance or to count for the payment of the minimum number of contributions due over a period immediately preceding the happening of the event insured against. Other periods—those of illness, military service, etc.—during which contributions have not actually been paid, are usually treated as periods of full contribution. Example: A worker has been insured for four years in country A and for two years in

country B. The qualifying period for an invalidity pension is in both countries five years. Although the insured person has paid contributions for six years in all, he has not, according to the legislation in the two countries, the right to benefit in either. Under the system of addition of periods of insurance provided for by the treaties, the insured person is entitled to an invalidity pension, payment of which will be shared by country A and country B.

In the same way, suppose that the legislation of country B makes the award of an invalidity pension conditional on the payment of at least 120 weekly contributions during the three years before the happening of the event insured against, and that the insured person is overtaken by invalidity at the end of two years' residence in that country: then he has not, according to legislation in the two countries, the right to benefit in either. But under the system of addition of periods of insurance provided for by the treaties, the minimum number of contributions required by country B is regarded as paid, and the insured person is entitled to an invalidity pension, payment of which will be shared by country A and country B.

2. *Calculation of pensions liability of respective insurance institutions.*—As has been explained in Part II of this volume (Chapters I, II and III), invalidity, old-age and widows' and orphans' pensions are composed of a diversity of elements: basic amount due on the completion of the qualifying period, with increments varying with the number and amount of the contributions, and subsidies from public authorities and children's bonuses—or a pension varying with the number and amount of the contributions and perhaps augmented by subsidies from public authorities and children's bonuses. The influence of bilateral treaties on these various components may be briefly examined.

The method by which the fixed components are apportioned is as follows. When the event insured against happens, each national institution to which the insured person has been affiliated has to take into consideration the sum of the periods of insurance completed in the countries concerned, as if the insured person had been affiliated to it throughout all these periods. The fixed components of the pension—the basic amount, for instance—will first be calculated by each national institution for the total of the periods of insurance completed in both countries, and the share to be paid by each institution is then calculated according to the period spent in each country. This may be called calculation *pro rata temporis*. A worker who has been insured for four years in country A and for two years in country B will therefore receive a basic amount

composed as follows: four-sixths of the basic amount provided for by the legislation of A and to be paid by the insurance institution of A; two-sixths of the basic amount provided for by the legislation of B and to be paid by the insurance institution of B.

Increments fixed according to the amount and number of contributions are not affected by the treaties, and are paid as before by each institution in conformity with national legislation.

State subsidies and children's bonuses are calculated *pro rata temporis* if they are fixed, or are paid by each institution if they vary with contributions or with the amount of the pension.

3. *Protective clause guaranteeing to the insured persons benefits at least equal to those which they would have obtained under one legislation.* — The application of the above rules may in certain cases lead to the distribution of the liability in such a way that the sum of the shares of the two countries is inferior to the pension which would have been paid by one country in conformity with its legislation in respect of that period only which was completed in its territory. In order to avoid this undesirable result the treaties include a protective clause which guarantees that the total pension which the insured person receives from both insurance institutions cannot be inferior to that to which he would have had the right under the legislation of one country. The difference between the pension due under the legislation of one country and the sum of the pensions due from both institutions is to be made up by the institution of the country under whose legislation the higher pension would have been paid.

Analysis of Existing Treaties

The following States have signed bilateral treaties providing for the maintenance of pensions rights in each country and the distribution of the pensions liability between the insurance institutions of the countries concerned:

Belgium-France, 21 May 1927;
France-Italy, 30 September 1919 and 22 May 1924;
France-Poland, 14 October 1920 and 21 December 1929;
Germany-Austria, 5 February 1930;
Germany-Czechoslovakia, 21 March 1931 (not yet ratified);
Germany-Poland, 11 June 1931 (not yet ratified);
Germany-Yugoslavia, 15 December 1928;
Italy-Luxemburg, 11 November 1920;
Italy-Yugoslavia, 20 July 1925.

The table given on pages 248-255 analyses the essential terms of those of the treaties which are now in force.

Application of a Treaty

In order to show how such treaties work out, an instance is given of the effects of the treaty between Germany and Austria of 5 February 1930. The case is one of a salaried employee who was insured first of all for five years in Austria and subsequently in Germany, in which country he becomes an invalid.

In *Austria* the invalidity benefits provided for under the salaried employees' insurance scheme are as follows:

basic amount equal to 35 per cent. of the average annual salary of the insured person during the 36 months which immediately precede invalidity;

an increment calculated on contributions and amounting to as many times $1/1200$ of the average annual salary as there are credited months of contribution;

a children's bonus equal to 6 per cent. of the above average annual salary per child of less than eighteen years, or twenty-four years if the child is a student. Nevertheless, such allowances cannot be less than 90 sch. or more than 180 sch. per year and child.

In *Germany* the invalidity benefits provided for under the salaried employees' insurance scheme are as follows:

a basic amount fixed at 480 RM. a year;

an increment calculated on contributions paid and equal to 15 per cent. of their total;

a children's bonus of 120 RM. a year per child of less than fifteen years, or twenty-one years if the child is a student, or without age limit if the child is an invalid.

In conformity with the treaty between Germany and Austria, the basic amounts and the children's bonuses under the two schemes are calculated *pro rata temporis*.

The increments based on contributions under the two schemes are paid by the national institution of each country.

Suppose, in consideration of these arrangements, that a salaried employee has worked in Austria for:

12 months	at a salary of	300 sch.	per month
12 months	"	"	300
36 months	"	"	400

and that at the end of five years' employment he has a child of four years and another of one year to provide for. If he becomes an

ANALYTICAL TABLE OF EXISTING TREATIES

Description of treaty	Conditions concerning qualifying period and maintenance of rights	Components of pensions under each scheme	Method of fixing pensions to be paid by each institution		Remarks
			Components which are reduced <i>pro rata temporis</i>	Components which have to be paid by each institution in full	
1	2	3	4	5	6
BELGIUM-FRANCE signed on 21.V.1927 and put into force 1.VII.30. <i>Belgium</i>	<i>Qualifying period</i> <i>Inactivity</i> : 10 years of service as a miner if the insured person is under 40 years, 12 years if between 40 and 44, 15 years if between 45 and 50, 18 years if between 50 and 54, 20 years if 55 years and over. <i>Old age</i> : 30 years to be entitled to the guaranteed minimum. If this condition is not fulfilled, the insured person will be entitled to pension according to the accumulated value of contributions. <i>Maintenance of rights</i> Acquired rights are maintained irrespective of the duration of the interruption of contributions.	<i>Inactivity</i> (a) 120 francs per year of service for married invalids, 90 francs for unmarried men and widowers. Minimum, 1,800 frs. Maximum, 3,600 frs. for married invalids, 2,700 frs. for unmarried men and widowers. After 30 years of underground work these maximum figures are raised to 4,800 and 3,708 frs. respectively. (b) Bonus of 1,080 frs. when the wife reaches the age of 65. <i>Old age</i> (a) Annuity resulting from accumulated contributions. Supplement of 188 % of the benefit under (a). (b) State subsidy equal to 50 % of the total, but not exceeding 1,200 frs. (c) Bonus of 1,080 frs. when the wife reaches the age of 65.	(a)	(a)	1. The provisions of this Convention may not bring pensions to a higher rate than that which would be reached by applying the more favourable scheme for the whole period of membership. 2. The competent administrative bodies are authorised to issue detailed regulations for the application of the Convention.
	<i>Qualifying period</i> <i>Inactivity</i> : 10 years, representing 2,640 days of work or sickness. <i>Old age</i> : 30 years to be entitled to the guaranteed minimum; 15 years for the reduced pension. <i>Maintenance of rights</i> Acquired rights are maintained irrespective of the duration of the interruption of contributions.	<i>Inactivity</i> (a) For 5 years after the expiry of 6 months' sickness allowance the pension is 360 frs. a month. After that period the annuity is 3,600 frs. (b) Children's bonus: 360 frs. a year per child under 12 years. <i>Old age</i> After 30 years' service: (a) Annuity resulting from accumulated contributions. Supplement from the special fund. The pension may not be less than 5,000 frs. After more than 15, but not more than 30 years' service, the composition of the pension is the same, but the pension amounts to at least 1,500 frs. for 15 years' service, and to 4,470 frs. for 29 years'.	(a)	(a)	
France			(b)	(a)	
Miners' insurance					

FRANCE-ITALY

I. Labour Treaty signed on 30.IX.1919 and put into force on 17.V.21.

II. Arrangement for the application of Article 7 of the Labour Treaty signed on 22.V.1924 and put into force on 29.I.1925.

Workers' and peasants' pensions scheme (Aet of 1910)¹

Qualifying period
Inactivity: No qualifying period is required
Old age: The pension is generally due at the age of 60, but may be made payable up to 5 years earlier or later.

Maintenance of rights
Acquired rights are maintained irrespective of the duration of the interruption of contributions.

France

Miners' Insurance

Qualifying period
Inactivity: 10 years, representing 2,640 days of work or sickness.

Old age: 30 years to be entitled to the guaranteed minimum; 15 years for the reduced pension.

Maintenance of rights
Acquired rights are maintained irrespective of the duration of the interruption of contributions.

Italy
General scheme.

Qualifying period
Inactivity: 120 contribution fortnights.
Old age: 240 contribution fortnights.

Maintenance of rights
Inactivity: An interruption of 2 years involves loss of rights.
Old age: Rights are maintained irrespective of the duration of the interruption in insurance, once the qualifying period has been completed.

Inactivity
(a) Annuity resulting from accumulated contributions.
(b) State subsidy varying according to the number of contributions paid, up to a maximum of 500 frs. a year.

Old age
(a) Annuity resulting from accumulated contributions.
(b) Fixed State subsidy of 500 frs. for compulsorily insured persons.
(c) Bonus granted to insured persons with 3 or more children under 16 still alive; this bonus is equal to 1/10 th of the subsidy.

Inactivity
(a) For 5 years after the expiry of 6 months' sickness allowance the pension is 300 frs. a month. After that period the annuity is 3,600 frs.

(b) Children's bonus: 360 frs. a year per child under 12.

Old age
After 30 years' service:
(a) Annuity resulting from accumulated contributions.
(b) Supplement from the special fund. The pension may not be less than 5,900 frs.

After more than 15, but not more than 30 years' service, the composition of the benefit is the same, but the benefit amounts to at least 1,500 frs. for 15 years' service, and to 4,470 frs. for 29 years'.

(a) Basic amount equal to 5 times the average compulsory annual contribution over the whole period of insurance.

(b) Increment of 30 % of the contributions paid.
(c) Children's bonus: 10 % of the pension per child under 18.

(d) State subsidy of 100 lire a year.

(a)

(b)

(a)

(b)

(c)

(a)

(b)

(a)

(b)

(a)

(b)

(c)

(d)

1. The conditions for the granting of pensions which refer to the degree of invalidity or retiring age being different, it has been decided that when the pension is granted under one scheme, acquired rights will be maintained and will be settled later when all the conditions required by the other legislation have been complied with.

2. The French funds may make payment either by international post-office money orders or through the Italian National Social Insurance Fund.

Italian institutions shall make payment by international post-office money orders.

Each fund shall have the power to settle that part of the pension for which it is responsible, by paying to the other fund the capitalised value at the rate used by the fund making the payment.

¹ No arrangement has so far been reached with regard to the maintenance of rights acquired under the general scheme (Aet of 30 April 1930).

ANALYTICAL TABLE OF EXISTING TREATIES (continued)

Description of treaty	2	3	Method of fixing pensions to be paid by each institution		Remarks
			Components which are reduced <i>pro rata temporis</i>	Components which have to be paid by each institution in full	
1	2	3	4	5	6
FRANCE-POLAND Convention signed on 14. X.1920 and put into force on 24.II.1923. France Workers' and peasants' pensions scheme (Act of 1910).	<p><i>Qualifying period</i> <i>Inactivity</i>: No qualifying period is required. <i>Old age</i>: The pension is generally due at the age of 60, but may be made payable up to 5 years earlier or later. <i>Maintenance of rights</i> Acquired rights are maintained irrespective of the duration of the interruption of contributions.</p>	<p><i>Inactivity</i> (a) Annuity resulting from accumulated contributions. (b) State subsidy varying according to the number of contributions paid, up to a maximum of 500 frs. a year. <i>Old age</i> (a) Annuity resulting from accumulated contributions. (b) Fixed State subsidy of 500 frs. for compulsorily insured persons. (c) Bonus granted to insured persons with 3 or more children under 16 still alive; this bonus is equal to 1/10th of the subsidy.</p>	<p>(b)</p> <p>(b)</p> <p>(c)</p>	<p>(a)</p> <p>(a)</p> <p>(a)</p> <p>(b)</p> <p>(c)</p>	<p>1. When the total State subsidies reckoned in this manner are less than the subsidy which would have been due by either country under its own legislation in respect of the periods of contribution or the assimilated periods within that country, then the share to be paid by that country will be correspondingly augmented. 2. The competent administrative bodies in the two countries shall prepare detailed provisions for the application of the Convention.</p>
Poland Workers' insurance in the Western Provinces.	<p><i>Qualifying period</i> 200 contribution weeks. 500 contribution weeks if there are less than 100 weeks of compulsory contributions. <i>Maintenance of rights</i> 20 compulsory contributions during 2 years. 40 voluntary contributions during 2 years. In the case of loss of rights, the completion of a fresh qualifying period restores rights which were previously acquired. In Upper Silesia, rights are maintained if during the whole period of insurance the number of contributions is equal to 3/4 of the total contributions which could have been paid from the date of entry into insurance up to the happening of the event insured against.</p>	<p>(a) Basic amount in proportion to contributions varying according to wage class. (b) Children's bonus: 10 % of the pension for each child under 15 but not exceeding 50 % of the basic amount. (c) Fixed State subsidy of 50 zloty a year. <i>Upper Silesia</i>: The pension consists of: (a) Fixed basic amount of 160 zloty. (b) Supplement of 10 % of the basic amount. (c) Children's bonus: 10 per cent. of the basic amount. (d) Fixed State subsidy of 100 zloty.</p>	<p>(c)</p> <p>(d)</p>	<p>(a)</p> <p>(b)</p> <p>(a)</p> <p>(b)</p> <p>(c)</p>	

<p>Miners' insurance</p>	<p>Upper Silesia</p>	<p><i>Qualifying period</i> <i>Inactivity</i>: 10 years, representing 2,640 days of work or sickness. <i>Old age</i>: 30 years to be entitled to the guaranteed minimum; 15 years for the reduced pension. <i>Maintenance of right</i> Acquired rights are maintained irrespective of the duration of the interruption of contributions</p>	<p><i>Inactivity</i> (a) For 5 years after the expiry of 6 months' sickness allowance the pension is 300 frs. a month. After that period the annuity is 3,600 frs. (b) Children's bonus: 360 frs. a year per child under 12 years. <i>Old age</i> After 30 years' service: (a) Annuity resulting from accumulated contributions. (b) Supplement from the special fund. The pension may not be less than 5,000 frs. After more than 15, but not more than 30 years' service, the composition of the pension is the same, but the pension amounts to at least 1,500 frs. for 15 years' service, and to 4,470 frs. for 29 years'.</p>	<p>(a) (b) (a) (b)</p>	<p>1. When the pension which would be granted to the insured person under the Treaty is less than that which he could claim under one of the schemes for the period of contribution under that scheme, then the institution responsible for payment under the same scheme must make good the difference. 2. For the payment of pensions to beneficiaries resident in the other country, the institutional money orders addressed to the beneficiary or to his appointed agent or to the French Autonomous Miners' Pensions Fund, through the Polish Post Office Savings Bank, the cost being paid by the person in receipt of the pension. The authorities have, however, the right to agree to other means of effecting remittances.</p>
		<p><i>Qualifying period</i> 36 contribution months</p>	<p><i>Tarnoszwic-Gory</i> (a) Fixed basic amount of 172 zloty. (b) Increment in proportion to contributions at rates fixed for each wage class. <i>Pszczyna</i> (a) Pension proportional to the amount of the contributions paid and varying between 0.69 and 2.20 zloty per contribution.</p>	<p>(a) (b) (a)</p>	
		<p><i>Qualifying period</i> 60 contribution months. <i>Maintenance of rights</i> An interruption of more than 12 months involves loss of rights.</p>	<p>(a) Pension calculated irrespective of contributions or wages and amounting to not less than 20 zloty a month.</p>	<p>(a)</p>	
	<p>Poland</p>	<p>Southern Provinces</p>			

ANALYTICAL TABLE OF EXISTING TREATIES (continued)

Description of treaty	Conditions concerning qualifying period and maintenance of rights	Components of pensions under each scheme	Method of fixing pensions to be paid by each institution		Remarks
			Components which are reduced <i>pro rata temporis</i>	Components which have to be paid by each institution in full	
1	2	3	4	5	6
GERMANY-AUSTRIA ¹ signed on 5.II.1930 and put into force on 1.IV.31. Germany	Qualifying period 60 contribution months. Maintenance of rights A minimum of 8 monthly contributions a year during the first 10 years and a minimum of 4 monthly contributions a year after this period.	(a) Fixed basic amount of 480 R.M. a year. (b) Increment of 15 % of the contributions paid. (c) Children's bonus: 120 R.M. a year per child	(a)	(b)	1. When the pension which would be granted to the insured person under the Treaty is less than that which he could claim under one of the schemes for the period of contribution under that scheme, then the institution responsible for payment under the same scheme must make good the difference. 2. When the monthly benefit is less than 15 R.M. or 25 sch., and when no claim can be made against the other scheme, it may be converted into a sum equal to 3 times the amount of the benefit by a decision of the institution responsible for payment. 3. When in either country the period of membership is less than 12 months, the insurance institutions in that country are exempt from all obligations. The benefits calculated under the other scheme cannot be reduced.
		(a) Basic amount of 35 % of the basic wage. (b) Increment in proportion to the period of membership, equal to 1 % of the basic wage per year of membership. (c) Children's bonus: 6 % of the basic wage, with a minimum of 90 sch. and a maximum of 180 sch. a year per child.	(a)	(b)	
		(a) Fixed basic amount equal to: 1. 168 R.M. for workers; 2. 480 R.M. for salaried employees. (b) Increment in proportion to contributions, of between ½ % and 1.85 % of the upper limits of the wage classes in which the insured person contributed. (c) Children's bonus: 120 R.M. a year per child.	(a)	(b)	
Salaried employees' insurance	Qualifying period 60 contribution months. Maintenance of rights If the interruptions in contributions do not exceed 1/4 of the period during which the insured person contributed, or is deemed to have contributed, his rights are maintained.	Austria	(c)	(a)	
			(a)	(c)	
Miners' insurance	Qualifying period 36 contribution months. Maintenance of rights in case of withdrawal Voluntary insurance or payment of continuation fee.	Germany	(c)	(a)	
			(a)	(c)	
Austria	Qualifying period 3 or 5 years according to the fund. Maintenance of rights After leaving the fund, the right to benefit is maintained for one year.	Austria	(a)	(a)	
			(a)	(a)	

<p>GERMANY-YUGOSLAVIA¹ signed on 15. XII. 1928 and put into force on 1. X. 1929.</p>	<p>Germany</p>	<p>Qualifying period 60 contribution months. Maintenance of rights A minimum of 8 monthly contributions a year during the first 10 years of insurance and a minimum of 4 monthly contributions after this period.</p>	<p>(a) Fixed basic amount of 480 R.M. a year. (b) Increment of 15 per cent. of contributions. (c) Children's bonus: 120 R.M. a year per child.</p>	<p>(a) (b) (c)</p>	<p>(1) When the pension which would be granted to the insured person under the Treaty is less than that which he could claim under one of the schemes for the period of contribution under that scheme, then the institution responsible for payment under the same scheme must make good the difference. (2) When the monthly benefit is less than 5 R.M. or 50 dinars it may be capitalised. It must be capitalised if the insured person makes an application to this effect. In the case of benefit payable to a single orphan the same rule shall apply to the amount of 3 R.M. or 30 dinars. (3) When in either country the period of membership is less than 12 months, the insurance institutions in that country are exempt from all obligations. The benefits calculated under the other scheme cannot be reduced. (4) The administrative authorities may agree to enter into arrangements concerning the method of payment of the pensions due under their schemes, and in particular they may decide that the payment of pensions due by one institution may be effected by the other according to the domicile of the insured person after transfer of the capitalised value of the pension.</p>
	<p>Yugoslavia</p>	<p>Qualifying period 60 contribution months.</p>	<p>(a) Fixed basic amount of 1,800 dinars. (b) Increment in proportion to contributions, calculated as follows: (1) 30 dinars on each contribution of 360 dinars paid during the first 10 years in excess of 21,600 dinars; (2) 10 times the average monthly contribution; (3) One-sixth of the contributions paid.</p>	<p>(a) (b)</p>	
	<p>Germany</p>	<p>Qualifying period 36 contribution months. Maintenance of rights on withdrawal Voluntary insurance or payment of continuation fee.</p>	<p>(a) Fixed basic amount equal to: (1) 168 R.M. for work-ers; (2) 480 R.M. for salaried employees. (b) Increment in proportion to contributions, between ½% and 1.85% of the upper limits of the wage classes in which the insured person contributed. (c) Children's bonus: 120 R.M. a year per child.</p>	<p>(a) (c)</p>	
	<p>Yugoslavia</p>	<p>Qualifying period Invalidity: 60 contribution months. Old age: 120 contribution months.</p>	<p>(a) Minimum pension: (1) Invalidity: 20% of the wage in the class to which the beneficiary belonged during the last 5 years of membership. (2) Old age: 32% of the wage determined by the same rule. (b) Increment in proportion to the length of membership equal to 2.4% of the wage determined by the same rule for each year in excess of qualifying period.</p>	<p>(a) (b)</p>	

¹ The provisions concerning workers' insurance have not yet come into force.

ANALYTICAL TABLE OF EXISTING TREATIES (continued)

Description of treaty	1	2	3	Components of pensions under each scheme	Method of fixing pensions to be paid by each institution			Remarks
					Components which are reduced by each <i>pro rata temporis</i>	Components which have to be paid by each institution in full		
ITALY-LUXEMBURG signed on 11.XI.20. <i>Italy</i> General scheme.		<p><i>Qualifying period</i> <i>Inactivity</i>: 120 contribution fortnights. <i>Old age</i>: 240 contribution fortnights. <i>Maintenance of rights</i> <i>Inactivity</i>: An interruption of 2 years involves loss of rights. <i>Old age</i>: Rights are maintained irrespective of the duration of the interruption of insurance once the qualifying period has been completed.</p>		<p>(a) Basic amount equal to 5 times the average compulsory annual contribution over the whole period of insurance. (b) Increment of 30 % of the contributions paid. (c) Children's bonus: 10 per cent. of the pension per child under 18. (d) State subsidy of 100 lire a year.</p>	(a)	(b)		<p>(1) The Treaty provides that an agreement shall be entered into determining the method of paying pensions. (2) Each party has agreed that all the additional advantages given by it to the citizens of any other State shall be extended in full to the citizens of the other contracting party.</p>
<i>Luxembourg</i> Workers' insurance.		<p><i>Qualifying period</i> <i>Inactivity</i>: 1,350 contribution days. <i>Old age</i>: 2,700 contribution days. <i>Maintenance of rights</i> 80 contribution days in the course of 2 years.</p>		<p>(a) Fixed basic amount of 360 frs. (b) Increments in proportion to contributions equal to (1) 1.20 frs. for that fraction of the wage between 500 and 600 frs. and at the rate of 1.80, 2.40, 3.00, etc., frs. each for the first, second, third, etc., 100 frs. in excess of 600. (2) 0.16 frs. per period of 6 days in excess of 1,350 working days.</p>	(a)	(b)		

<p>ITALY-YUGOSLAVIA signed on 20.VII.25 and put into force on 1.XII.28.</p> <p><i>Italy</i> General scheme.</p>	<p><i>Qualifying period</i> <i>Inactivity</i>: 120 contribution fortnights. <i>Old age</i>: 240 contribution fortnights. <i>Maintenance of rights</i> <i>Inactivity</i>: An interruption of 2 years involves the loss of rights. <i>Old age</i>: Rights are maintain- ed irrespective of the duration of the interruption of insurance once the qualifying period has been completed.</p>	<p>(a) Basic amount equal to 5 times the average compul- sory annual contribution throughout the whole pe- riod of insurance. (b) Increment of 30 % of the contributions paid. (c) Children's bonus: 10 per cent. of the pension per child under 18. (d) State subsidy of 100 lire a year.</p>	<p>(a)</p> <p>(c)</p>		<p>(1) The State subsidy provided under Italian law has been excluded from the scope of the reciprocal agree- ment made in the Treaty. The two States undertook to conclude a later agreement as soon as the Kingdom of Yugoslavia has fixed the extent and conditions of the State subsidies for its na- tionals. (2) The administrative authorities of the two States will grant to each other the same assistance as they are bound to give for the appli- cation of the legislation in their own States.</p>
<p>Salaried employees' insurance</p>	<p><i>Qualifying period</i> 60 contribution months.</p>	<p>(a) Fixed basic amount of 1,800 dinars. (b) Increments in proportion to contributions calculated as follows: (1) 30 dinars on each 360 dinars contributed during the first 10 years in excess of 21,600 dinars; (2) 10 times the average month- ly contribution; (3) 1/4th of the contributions paid.</p>	<p>(a)</p> <p>(b)</p>		
<p>Yugoslavia Miners' insurance</p>	<p><i>Qualifying period</i> <i>Inactivity</i>: 60 contribution months. <i>Old age</i>: 120 contribution months.</p>	<p>(a) Minimum pension: (1) In- validity: 20 % of the wage in the class to which the beneficiary belonged during the last 5 years of member- ship; (2) Old age: 32 % of the wage determined by the same rule. (b) Increments in proportion to the length of membership equal to 2.4 % of the wage determined by the same rule for each year in excess of qualifying period.</p>	<p>(a)</p> <p>(b)</p>		

invalid at the end of his fifth year of insurance he has the right to invalidity benefit which, in conformity with Austrian legislation, is made up as follows:

	Sch.
Basic amount $\frac{35}{100} \times 4,800$	= 1,680
Increment based on contributions $\frac{60}{1200} \times 4,800$	= 240
Bonus for two children	= 360
Total:	2,280 sch.

Examine next the invalidity benefits to which he would have been entitled if he had continued to be employed in Germany and had been affiliated to a German salaried employees' insurance institution, earning a monthly salary of 280 RM. the first year, 300 the second, 320 the third, rising by yearly increments of 240 RM. to a maximum salary of 500 R.M. per month.

In conformity with the treaty, the periods of insurance completed in the two countries are added together and, if the insured person becomes an invalid at the end of the sixth year—five having been completed in Austria and one in Germany—he is entitled to invalidity benefit made up as follows:

Benefits to be paid by the Austrian insurance institution:

	Sch.
Proportion of basic rate $\frac{5}{6} \times 1,680$	= 1,400
Increment for 2 children $\frac{5}{6} \times 360$	= 300
Increment based on contributions	= 240
Total:	1,940

Benefits to be paid by the German insurance institution:

	RM.
Proportion of basic rate $\frac{1}{6} \times 480$	= 80
Increment for 2 children $\frac{1}{6} \times 240$	= 40
Increment based on contributions	= 21.60
Total	141.60
Total benefit:	
$1,940 \text{ sch.} + 141.60 \text{ RM.} = 1,288.64 \text{ RM.}$	

As has been seen above, after five years of affiliation in Austria the insured person has the right, in case of invalidity, to a benefit of 2,280 sch. or 1,348.07 RM.

In virtue of the protective clause of the treaty, the insured person becomes entitled to 1,348.07 RM., the difference of 59.43 RM. being paid by the Austrian institution.

In fact during the first sixteen years, reckoned from the date of affiliation to the Austrian institution, the insured person, if he becomes invalid, would receive a pension of 1,348.07 RM., and the total of the proportions payable under the Austrian and German schemes being inferior to this sum, the difference would have to be paid by the Austrian institution. Because of the difference between the component elements of the Austrian and German invalidity benefit, pensions resulting from legislation in the two countries and from the treaty do not increase between the fifth and the sixteenth year although the insured person continues to pay his contribution to the German institution.

The table on page 258 shows the components of the invalidity pension and the portions of each borne by the Austrian and German institutions respectively.

Imperfections of the System

Treaties between States, which establish the system of the addition of periods of insurance in the countries concerned for the completion of the qualifying period and for the maintenance of the continuity of insurance, and which arrange for the distribution of pensions liability between the insurance institutions of the respective countries, represent an important step forward, and result in the safeguarding to a large degree of the rights of workers who move from one country to another.

Nevertheless, the system cannot be regarded as completely satisfactory.

First, such treaties are still much too rare, and many migrants have at their disposal for the maintenance of their rights only the procedure provided for by national legislation, the inadequacy of which has already been pointed out.

Further, the practical efficiency of the treaties is often limited by discordance between legislation in different countries on the subject of risks covered, and the components and amount of pensions. Old-age pensions, for instance, are granted in some cases at sixty and others at sixty-five. Suppose that an insured person who has worked in two countries can obtain an old-age pension at sixty in the country where he is latterly occupied; if the age limit in the

COMPONENTS OF INVALIDITY PENSION AND THE PORTIONS OF EACH BORNE BY THE AUSTRIAN AND GERMAN
INSTITUTIONS RESPECTIVELY

Periods of insurance in years		Pension to be paid by the Austrian Insurance Institution						Pension to be paid by the German Insurance Institution				Total of the two sections of pension in R.M. (8 + 12)	Supple- ment to be paid by the Austrian institu- tion in R.M.	Total invalidity pension due to the insured person in R.M. (13 + 14)
Ger- many	Aus- tria	Total	Basic amount	Incre- ment on contri- butions	Child- ren's bonus	Total (4 + 5 + 6)		Basic amount	Incre- ment on contri- butions	Child- ren's bonus	Total (9 + 10 + 11) in R.M.			
1	2	3				4	5					6	In Sch.	in R.M.	9	10	11	12	13	14	15
0	5	5	1,680.00	240.00	360.00	2,280.00	1,348.07	—	—	—	—	1,348.07	—	1,348.07
1	5	6	1,400.00	240.00	300.00	1,940.00	1,147.04	80.00	21.60	40.00	141.60	1,288.64	59.43	1,348.07
2	5	7	1,200.00	240.00	257.15	1,697.15	1,003.45	137.15	43.20	68.58	248.92	1,252.37	95.70	1,348.07
3	5	8	1,050.00	240.00	225.00	1,515.00	895.76	180.00	72.00	90.00	342.00	1,237.76	110.31	1,348.07
4	5	9	933.30	240.00	200.00	1,373.30	811.97	213.33	100.80	106.68	420.81	1,232.78	115.29	1,348.07
5	5	10	840.00	240.00	180.00	1,260.00	744.98	240.00	129.60	120.00	489.60	1,234.58	113.49	1,348.07
6	5	11	763.65	240.00	163.65	1,167.30	690.17	261.84	158.40	130.92	551.16	1,241.33	106.74	1,348.07
7	5	12	700.00	240.00	150.00	1,090.00	644.47	280.00	187.20	140.00	607.20	1,251.67	96.40	1,348.07
8	5	13	646.15	240.00	138.45	1,024.60	605.80	295.36	223.20	147.68	666.24	1,272.04	76.03	1,348.07
9	5	14	600.00	240.00	128.55	968.55	572.66	308.61	259.20	154.31	722.12	1,294.78	53.29	1,348.07
10	5	15	560.00	240.00	120.00	920.00	543.96	320.00	295.20	160.00	775.20	1,319.16	28.91	1,348.07
11	5	16	525.00	240.00	112.50	877.50	518.83	330.00	331.20	165.00	826.20	1,345.03	3.04	1,348.07
12	5	17	494.10	240.00	105.90	840.00	496.66	338.88	367.20	169.44	875.52	1,372.18	—	1,372.18
13	5	18	466.67	240.00	100.00	806.67	476.95	346.71	403.20	173.36	923.27	1,400.22	—	1,400.22

Rate of exchange: 100 R.M. = 169.13 sch. (average rate of exchange from 1 January to 31 May 1931).

country he has left is sixty-five, he will enjoy only one pension for five years, and may be thus deprived of a sufficient livelihood. In the same way, invalidity pensions are granted in certain countries if the incapacity to earn extends to two-thirds of the normal ability, while in other countries total incapacity is required. An insured person two-thirds incapacitated may be entitled to an invalidity pension in the country where he has last worked, and yet see his claim barred in the country he has left by the condition of total incapacity. In this case he can only benefit by the one invalidity pension until he reaches the age limit for old-age pensions in the country he has left; and for this he may have to wait many years, if he becomes invalid while still young.

Again, the application of bilateral treaties between two countries whose insurance schemes provide for pensions widely different in their components and amounts may lead to surprising results. Despite the working of the protective clause provided for in the treaties, it may happen that the sum of the proportions of benefit to be paid by the different countries in which the insured person has worked will not exceed that of the pension calculated according to national legislation in one of the countries, and under these conditions the insured person pays in the other countries contributions which bring him no increase in benefit—an arrangement which he is entitled to regard as unjust.

Such criticisms are and will remain justified as long as discrepancies between legislation in various countries continue to exist, and the maintenance of pensions rights in course of acquisition will not be completely and equitably secured until an international regulation agreed to by most States affected by migration has brought some degree of uniformity into the essential features of national social insurance schemes.

TRANSFER OF THE CAPITAL REPRESENTING ACQUIRED RIGHTS

The establishment of a system of transfer from one insurance institution to another of the capital representing acquired rights when a worker moves from one country to another, implies a solution of the three following problems: determination of the capital to be transferred by the institution of the country which the insured person is leaving; incorporation of this sum into the new scheme; determination of the right of the insured person to benefits under the new scheme.

Determination of the Capital representing the Rights Acquired at Departure

This sum is equal to the difference between the present value of the obligations of the insured towards the insurance institution—that is to say, the contributions which the institution is entitled to expect from him in the course of a normal occupational career—and the present value of the obligations of the insurance institution towards the insured person—that is to say, the benefit which it might have had to pay him. The difference between these two present values is the reserve due to the insured person.

In a system of capital accumulation for each individual each contribution can be regarded as the present value of a deferred annuity, so that at any given moment the capital representing the rights acquired is equal to the present value of the total of the deferred annuities which correspond to the successive contributions.

In a system of capital accumulation for insured persons collectively, the individual pays an average premium which disappears in the total reserve of the insurance fund, and it is impossible to watch the gradual formation of a particular pension. But even in the absence of individual accounts, it is still possible at any given moment to calculate what proportion of the total reserve corresponds mathematically with the rights acquired by the insured person.

When the insured leaves a country and its insurance institution, this sum representing his rights is credited to him and transferred to the institution to which he is affiliated in another country.

Incorporation into the New Insurance System of the Capital Transferred

The new insurance institution has to perform the inverse operation and transform a capital sum into a potential right to benefit according to a scale which must take into consideration the provisions of the new legislation on financial administration, contributions, benefits, etc. The capital coming from the former fund is in a sense utilised to purchase retrospectively insurance contributions for a number of years, months or weeks, according to the legislation of the new country.

The result will vary with the relative standards set by legislation in the two countries. If that of the first country is considerably below that of the second, it may happen that capital representing the rights acquired by ten years of contributions in the first country

may mean only seven years for the purposes of calculating benefit in the second.

If, on the other hand, the standard set up by legislation in the first country is considerably above that of the second, it may happen that the capital representing ten years of contributions in the first country will permit the purchase of more than ten years' affiliation in the second; in this case, the balance of the sum transferred may either be handed to the insured person or used for the acquisition of the right to supplementary benefit.

When the event insured against happens the insurance institution in the second country will determine the rights of the insured person to benefit, in consideration of the legislation by which it is governed, of the rights acquired by affiliation in the second country, and of those corresponding to the period of insurance purchased with the aid of the capital transferred from the first country.

Agreement between Great Britain and the Irish Free State

The system of transfer of capital has until the present been the object of only one international agreement—that concluded in January 1923 between Great Britain and the Irish Free State. According to this agreement, which covers sickness, maternity and invalidity insurance, the migration of an insured person from one country to another entails the transfer of the reserve mathematically corresponding to the rights he has acquired and calculated according to a scale peculiar to each country. The transference takes place on definitive migration. When the event insured against happens, the insured person receives a benefit fixed according to the legislation of the country he has entered and paid by the institution of that country.

Objections to the System

The system of transfer of capital is applicable between Great Britain and the Irish Free State because the legislation of these two countries is practically identical as regards definition of risks covered, contributions and benefits, which are unconnected with wages and made up of one element only.

But the application of this method to systems based on collective accumulation, with contributions and benefits varying with wages, and with the latter composed also of complex elements—basic amount, increment calculated on contributions, State subsidies, children's bonuses—the determination of the necessary scales to

fix the relation between capital and rights acquired on leaving an institution, and the incorporation of the capital into a new scheme, present technical difficulties which are very great though not insurmountable. The problem has, in fact, been solved within several countries in respect of the transfer of insured persons from one insurance system to another—for instance, from workers' to salaried employees' insurance—and the solution found may perhaps be of use in respect of migration.

Nevertheless, it must be admitted that certain benefits cannot easily be linked with a transfer of capital. This is true of supplementary pensions provided by public authorities. These are generally included in national budgets, and it is improbable that States would welcome the disturbance in their estimates which the capitalisation of a large number of supplements would entail.

Finally, the transfer of capital may have an important effect on the balance of payments and receipts in a country where immigration attains large proportions. Many workers enter a country young, bring with them the small capital which represents the rights acquired in their own country, and re-emigrate after ten, twenty or thirty years of work and insurance, and this would entail the transfer of large sums to their country of origin.

The technical difficulties of establishing scales and the regard for the balance of payments and receipts explain the as yet very limited application of the system of transfer of capital in the relations between States.

CHAPTER II

MAINTENANCE OF RIGHTS TO PENSIONS ALREADY GRANTED

§ 1. — The Problem

The maintenance of the right to a pension already granted supposes a case in which the event insured against happens, and the legal conditions of award (completion of qualifying period and maintenance of the continuity of insurance) have been fulfilled, before migration. Both the rights of the insured person or, in the case of death, of his survivors and the obligations of the insurance institution are already determined. The question is whether the residence of the pensioner outside the country of the insurance institution responsible for payment affects the right to pension. For the insurance institution the question is essentially one of the practical organisation of payments abroad.

A large number of countries include in their legislation more or less serious restrictions of the right to pension in case of residence abroad. Such restrictions are generally based on the practical difficulty and the cost of periodical foreign payments, on the obstacle which residence abroad offers to the supervision of continued entitlement to benefit, and further on the influence of these payments abroad on the balance of payments and receipts of countries to which immigration takes place.

The first argument—that of difficulty in effecting payment abroad—is not of great force, for it seems perfectly possible for a country to make such payments, either by means of its consular service or through the insurance institutions of the country of residence of the pensioner.

The supervision of pensioners residing outside the country of the benefit-paying institution is confronted by more serious obstacles. There must be some such supervision of the continued qualification for benefit and of the existence of old persons, widows and orphans entitled to pensions. In this case also the problem might be solved by the intervention of the consular authorities or preferably by the collaboration of the insurance institutions of the country in which the pensioner resides. There are such institutions in all countries, and they possess, for the settlement of their own benefits, medical

and administrative services which might be utilised. Agreements between States or institutions could surmount these obstacles without either great difficulty or serious expense.

The argument that the transfer of pensions may cause a deficit in the balance of payments and receipts of countries to which immigration takes place is by no means negligible. Insured persons overtaken by invalidity or old age and widows and orphans obey a natural tendency in returning to their own country, and it is certain that States which receive hundreds of thousands or even millions of immigrants, may have to send thousands if not tens of thousands of pensions out of the country every year, but this consideration should not be given more weight than the interests of the insured persons, who have given their working life to the country where they are insured, have contributed to its prosperity, and have acquired certain rights in respect of contributions paid by them or by their employers for them. The question of supplementary pensions is more delicate, for these are paid by the public authority and do not correspond to workers' or employers' contributions based on wages. It has been held that these extra payments are equivalent to a national reward, granted by the State to its workers, and which it may not unjustly limit to its nationals or to aliens who continue to reside within its boundaries. The reply to this argument is that alien insured persons contribute to the financial resources of the State, for they are subject to taxation to the same extent as nationals, that supplementary pensions are intended in a sense to compensate for the insufficiency of pensions representing contributions based on wages, and that they are in all justice due to any worker whose wages have not permitted him satisfactorily to cover risks during his occupational career.

The following paragraphs deal first with the position in which pensioners residing outside the country of the benefit-paying institution are placed by national legislation, and subsequently with the bilateral treaties the object of which is to abolish or diminish restrictions relative to the pensioners' country of residence.

§ 2. — National Legislation on the Residence of Pensioners Abroad

National laws may be classified in three groups according to their treatment of pensioners resident abroad; either such residence does not entail any restrictions, or there are restrictions applying equally to nationals and aliens, or again they apply only to aliens.

LEGISLATION NOT RESTRICTING THE RIGHTS OF NATIONALS AND ALIENS IN CASE OF RESIDENCE ABROAD

In the following countries the legislation permits the unrestricted enjoyment of pensions by both nationals and aliens residing abroad.

Austria (workers)

Greece (tobacco workers)

Belgium (salaried employees)

Netherlands (miners)

Czechoslovakia (workers)

Spain (general scheme).

France (general scheme and miners)

LEGISLATION IMPOSING RESTRICTIONS ON BOTH NATIONALS AND ALIENS

Such restrictions relate to authorisation to reside abroad and reduction or suspension of pensions.

The following countries make the maintenance of the pension conditional on authorisation to reside abroad:

Argentina (staffs of private undertakings of public utility);

Austria (salaried employees);

Uruguay (staffs of public utility undertakings and of banks; for an absence of over six months, authorisation can only be given by Act of Parliament).

In the following countries residence abroad entails a reduction of pension:

Cuba (seamen and harbour workers): the pension is reduced by 10 per cent. during the first year of residence abroad, and for the whole period if such absence is due to the illness of the pensioner or a member of his family; in other cases it is reduced by 30 per cent. as from the end of the second year;

Sweden (general scheme): the bonus is forfeited.

Under the legislation of the following countries the pension is totally suspended in case of residence abroad:

Denmark (general scheme);

Great Britain and Northern Ireland (general scheme, but old-age, widows' and orphans' pensions are paid to emigrants in British Dominions);

Irish Free State (general scheme);

Luxemburg (workers and salaried employees);

Rumania (general scheme in former Kingdom).

LEGISLATION IMPOSING RESTRICTIONS ON ALIENS ONLY

The pension may, in case of residence abroad, be compulsorily commuted, suffer deduction of the subsidies from public authorities, or be suspended.

Legislation in the following countries permits the insurance institution to convert the pension into capital:

Germany. — Workers and miners: in the case of expulsion by administrative measure which does not entail loss of rights, the insurance institution may substitute for the payment of a pension to a qualified person habitually residing abroad the payment of the capital representing that pension (workers), or of a sum equal to three times the pension (miners).

Hungary. — Workers and salaried employees: when the residence abroad is voluntary and lasts for more than a year, the insured person is entitled to have the pension replaced by the payment of the capital representing it. This right lapses after five years.

The subsidies or supplementary pensions from public authorities may be withheld in

Belgium (workers; salaried employees; miners) and *Italy* (general scheme).

According to legislation in the following countries the pension may be suspended in case of residence abroad:

Austria. — Salaried employees: the pension is suspended in case of expulsion by penal measure.

Bulgaria. — General scheme: the pension is suspended whatever the reasons for the absence.

Czechoslovakia. — Miners: the pension is suspended except if the country of origin treats Czechoslovak subjects as its own nationals.

Germany. — Workers: the pension is suspended in case of voluntary residence abroad or of expulsion as the result of a conviction. Salaried employees: in case of voluntary and prolonged residence abroad. Miners: in case of residence abroad. Exceptions may be made for residence in frontier areas.

Hungary. — Miners: pensions are suspended for subjects of certain countries and for beneficiaries taking up a residence in certain countries.

Netherlands. — General scheme: the pension is suspended unless the residence abroad is due to illness of the beneficiary.

§ 3. — Bilateral Treaties and Residence Abroad

The restrictions made in national legislation may be diminished or abolished by means of bilateral treaties between States. The treaties at present in force or concluded but not definitively ratified provide for the retention of full rights to pensions by the subjects of one country who take up residence in the other. The following is a list of such treaties.

Austria-France. — 27 May 1930 (not yet ratified).

Belgium-France. — 23 August 1930; 21 May 1927.

Denmark-Iceland. — 13 October 1927.

France-Italy. — Labour Treaty, 30 September 1919. Agreement of 22 May 1924 in pursuance of the said treaty.

France-Poland. — Convention of 14 October 1920. Convention of 21 December 1929.

Germany-Austria. — 5 February 1930.

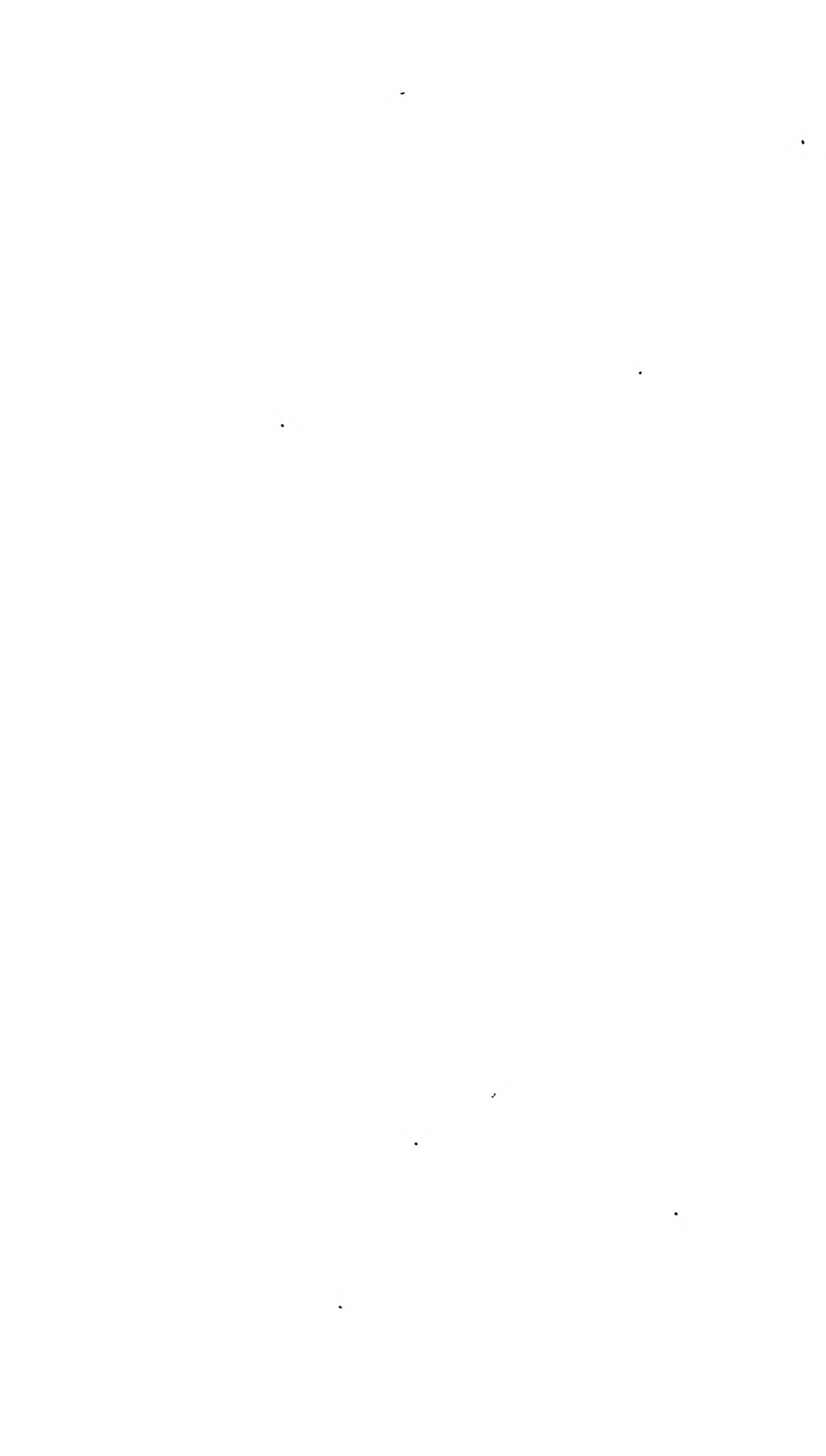
Germany-Czechoslovakia. — 21 March 1931 (not yet ratified).

Germany-Poland. — 11 June 1931 (not yet ratified).

Germany-Yugoslavia. — 15 December 1928.

Italy-Luxemburg. — 11 November 1920.

Italy-Yugoslavia. — 20 July 1925.



CONCLUSIONS

INTRODUCTION

Compulsory insurance against the risks of invalidity, old age and death has made considerable progress during the last fifty years. There is a large number of compulsory insurance laws, which cover tens of millions of workers. In this Report an analysis has been made of as many as fifty insurance schemes, which do not include the very many special schemes for railwaymen, seamen and civil servants, most of which are more favourable than the laws applicable to other groups of workers.

This body of laws offers a wealth of material on which to found international regulations. The national systems are varied and complex, yet on the essential points it seems possible to define general conceptions and fundamental principles suitable for treatment in one or more draft Conventions and Recommendations.

§ 1. — Scope

Invalidity, old-age and widows' and orphans' insurance is rapidly becoming general. Once the need for protecting the workers against social risks has been recognised, no hesitation can be possible. Their insurance must be organised by making it compulsory and general. The number of industrial countries which, having arrived at this conclusion, put it into effect by way of legislation is increasing year by year.

The international regulations on invalidity, old-age and widows' and orphans' insurance should take the essential provisions common to the social insurance laws of all countries and establish them as rules of international law. All these national laws, the most recent with the oldest, are based on the compulsory principle. This fact is taken into account here, and the draft conclusions submitted by the Office to the Conference set out on the basis of this principle.

PRINCIPLE OF COMPULSORY INSURANCE FOR EVERY PERSON
WHOSE NORMAL OCCUPATION IS EMPLOYMENT

This principle defines the persons who are compulsorily insured in schemes that cover all wage earners. In such schemes any wage earner is as a rule compulsorily insured, whatever the nature of his employment or of the undertaking where he is employed. Every wage earner automatically acquires the status of compulsorily insured person. This is the principle that has hitherto found most favour, and it is proposed to begin by consulting the Governments on this point.

The only system wider than that of general insurance of wage earners is that of compulsory national insurance covering the whole adult population, which is not incompatible with the former since it both comprises and exceeds it. In view of the present state of national legislation, however, which in most countries applies only to wage earners, the Office proposes that the Conference should base the international regulations on compulsory insurance for all wage earners.

Expressed in this way, the principle defining the scope of insurance establishes a limitation dictated by considerations of simple expediency. It applies only to wage earners and excludes persons who, not being wage earners by trade, do not have employment as their normal occupation. Such occasional workers must of necessity have some other source of livelihood than employment. It would not be expedient to include in a long-term insurance scheme based essentially on wages persons who undertake work in the service of another only from time to time or do not find their ordinary means of livelihood in employment.

It has been thought advisable to supplement the abstract definition of scope proposed here by an enumeration of examples of the principal categories of employed persons and the principal occupations considered. In the opinion of the Office the term should cover all branches of economic activity (industry, mining, commerce, transport, agriculture, liberal professions, home work, domestic service) and all occupational categories of employed persons (manual and non-manual workers, apprentices, out-workers, domestic servants).

The enumeration hardly calls for justification. It is long since compulsory insurance, which was originally confined in some countries to the persons employed in mining and important trans-

port undertakings, was extended to workers and salaried employees in all industrial and commercial undertakings, as well as to workers in agriculture and forestry. A large number of laws have also included in their scope, either from the first, or by successive stages, salaried employees in the so-called liberal professions, outworkers, and domestic servants.

Concerning the insurance of agricultural workers, reference should be made to the Recommendation on social insurance in agriculture adopted by the Third Session of the Conference, which is as follows:

“ That each Member of the International Labour Organisation extend its laws and regulations establishing systems of insurance against sickness, invalidity, old age and other similar social risks to agricultural wage earners on conditions equivalent to those prevailing in the case of workers in industrial and commercial occupations. ”

This decision was taken in 1921. The Office cannot be accused of rashness if ten years later it proposes to the Conference to convert this Recommendation into a regulation binding on all the States that have accepted it. All the States which since 1921 have legislated on the question of invalidity, old-age and widows' and orphans' insurance have, with one exception, included workers in agriculture in their scope, whether they place them under the general scheme or under a special scheme more suited to their needs.

It should be added that in accordance with the decisions of the Governing Body, the insurance of persons engaged in maritime navigation and fishing does not enter into the discussions of the Sixteenth Session of the Conference.

POSSIBLE EXCEPTIONS

The principle that every employed person is as such compulsorily insured may be subject to certain restrictions in its application. In several laws the rate of wages, the nature of the employment or the age of the worker is a reason for exemption from liability to insurance.

The Office believes that the Conference will wish to examine, with a view to consultation of the Governments, the desirability of making exceptions for various groups of workers.

Employed Persons whose Remuneration Exceeds a Prescribed Limit

Several laws exclude from compulsory insurance workers whose earnings from their work exceed a maximum limit. Those who

earn more than this maximum are, rightly or wrongly, supposed to provide for the future voluntarily and out of their own resources. In some countries the maximum applies to all workers, in some only to salaried employees.

The question is of importance, and the Conference will no doubt wish to consider it.

Seasonal and Other Temporary Workers

Certain occupations, especially in agriculture, employ a considerable number of workers whose work is not stable. They may be seasonal workers whose employment is usually limited by climatic conditions to certain seasons of the year, or they may be temporary workers whose employment is by its nature of short duration.

The rigid application of the principle of compulsory insurance to temporary workers, irrespective of the total duration of their successive jobs during the year and irrespective of their residence, might be a disadvantage to these workers themselves. A seasonal worker who is in employment for ten weeks in the year, while the insurance law demands twenty-six to thirty-nine contribution weeks at least per year of insurance, might pay contributions for several consecutive years without acquiring any right to benefit. Exemption from liability to insurance might protect him against a deduction from his wages that would be made without any guarantee of return.

The question is a difficult one, also, from the point of view of seasonal migration, and appears to deserve consideration by the Conference.

Young Workers under a Prescribed Age

Most national laws fix a minimum age of entry into insurance, which varies according to country from 13 to 17 years. This exception is based on the consideration that young workers whose training is not yet completed have not yet chosen their occupation and that it will be time enough to include them in insurance when the majority are in a position to earn money wages.

Workers Too Old to Enter Insurance

For quite a different reason several laws fix a maximum age of entry. Persons who do not engage in employment until after they have reached that age are not liable to insurance. The period

during which they would be compulsorily insured would be too short to allow of their accumulating an appreciable pension out of the contributions based on their wages. Furthermore, if the qualifying period for the claim to an old-age pension is five years, for instance, a person who enters employment only three years before the pensionable age will not be in a position to complete the qualifying period and acquire the right to a pension. Exemption from liability to insurance might in certain cases prove less disadvantageous than postponing the pensionable age.

Members of the Employer's Family

The fact that the worker is related to his employer may modify his position with respect to insurance.

In some countries the law does not recognise contracts of employment between husband and wife, and if one is employed by the other he (she) is exempt from the liability to insure even if the work is paid for. Under some other laws a person who is regularly remunerated in cash by the husband (wife) is liable to insurance.

As regards the children, parents and more distant relatives of the employer, some countries require them to insure, others exempt them, according as they are employed under contract or not, remunerated in cash or included in the household of the employer.

In certain occupations carried on with the assistance of members of the family, the question is of by no means secondary importance. The Conference will no doubt wish to discuss it.

EXTENSION OF COMPULSORY INSURANCE TO PERSONS WORKING ON THEIR OWN ACCOUNT

In most countries with general wage-earners' insurance laws, compulsory insurance is extended to certain groups of persons working on their own account. These include small employers whose economic security is hardly greater than that of most employed persons, e.g., small handicraftsmen who work either alone or with the members of their family or a small number, not more than two, paid helpers; small farmers who ordinarily work with the help of their family; home workers who, without a contract of employment, are bound to an employer by an agreement on the price the latter is to pay for a given quantity of the articles made.

The Office considers that the attention of the Conference should be drawn to the intermediate position occupied by these independent workers and to the fact that many laws include them among compulsorily insured persons.

SITUATION OF PERSONS FORMERLY COMPULSORILY INSURED

Most national laws allow persons who cease to be compulsorily insured the right to maintain and continue their insurance. This advantage is important. It would be unjust if a person who used to be compulsorily insured and ceases to be liable for a reason independent of his will were to be deprived of the benefit of the payments made during several years. The national laws protect persons who were formerly compulsorily insured either by maintaining the rights they were acquiring when they ceased to be liable to insurance until the risk matures or by allowing them to insure voluntarily. Sometimes, however, the voluntary continuation of a compulsory insurance is made subject to certain conditions, and reserved for persons who have paid a minimum number of contributions and whose income does not exceed a certain maximum.

The Conference will no doubt wish to consult the States Members on the inclusion in the proposed international regulations of a clause protecting the rights of persons who were formerly liable to insurance.

§ 2. — Old-Age Pensions

PENSIONABLE AGE

The old-age pension is normally awarded at an age which may be determined on the basis of two somewhat different conceptions: on the one hand, that of the presumed age of incapacity for work; on the other, the age at which the worker has the right to retire. Whatever the conception on which the national laws are based, they fix a normal age of admission to a pension without demanding proof of incapacity to earn or, as a rule, making it necessary to cease occupational activity.

The age limit varies fairly often according to sex and more rarely according to occupation. Where the insurance scheme covers all occupations, the most usual age limits are from 60 to 65

years for men and 60 years for women. For insured persons in certain particularly arduous occupations the general limit is quite often lowered by 5, and sometimes even 10, years. Thus in certain countries miners may claim a pension at 60 years or even 55 years of age, subject in certain cases to the condition that they have been engaged in mining during 25 or 30 years, according to country.

The age limit for admission to an old-age pension is at present under much discussion in nearly every country. The workers' organisations maintain that, owing to the present widespread and serious unemployment and to the impossibility for a large number of young and able-bodied workers to find employment, the age limit should be lowered so as free the labour market from older workers. Against this demand is urged the considerable increase in the cost of insurance that follows from the general rise in the average duration of human life and, in particular, of the life of pensioners, and the increasing proportion of pensioners to the active workers.

The Conference will have to consider this extremely important problem, and the Office expects that it will decide to consult the Governments on the age limit that may be fixed in international regulations and on the possibility of varying this limit according to sex and occupation.

QUALIFYING PERIOD,

The award of an old-age pension is generally subject to the completion of a qualifying period, the purpose of which is to provide the insurance institution with a minimum of resources and to prevent the belated insurance of persons who would engage in employment a few years only before reaching the age limit with a view to obtaining an old-age pension.

A qualifying period is not indispensable under laws which fix the pension exclusively on the basis of the accumulated value of the contributions paid by or for the insured person, or under laws which make a selection of risks by fixing a maximum age limit for entry into insurance well below the age limit for admission to an old-age pension.

The other laws fix a qualifying period which entails a minimum period of affiliation to the insurance institution or the payment of a minimum number of contributions. In some laws two con-

ditions have to be fulfilled: to obtain a pension the insured person must have been insured for a minimum period and must have paid a minimum number of contributions during the period immediately preceding his reaching the pensionable age.

The length of the qualifying period varies considerably in the different countries. It is sometimes two, three or four years, more often about five years, but in certain schemes may be as much as ten, twenty, or even twenty-five years.

The international regulations must of necessity allow the national laws to fix a qualifying period. But an affirmation on the question of principle would be insufficient, and the Governments ought to be consulted on the possibility of fixing a maximum qualifying period.

COMPUTATION OF OLD-AGE PENSIONS

There are in the different countries essentially two methods of computing pensions: either the pension is fixed at a flat rate, uniform for all insured persons, or it varies with wages or the number and rate of the contributions paid in respect of the insured person. Under the first method the pension tends to provide all the beneficiaries with a strict minimum of subsistence, and under the second method with a benefit which is determined by the economic and social situation occupied by the insured person during his active life.

The application of the second method gives rise to a variety of combinations according to the weights given to the rate of wages, the number of contributions and their rate.

The influence of the wage factor varies, on the one hand, according as the rate of pension is calculated on the basis of the final wage or the average wage during insurance, and, on the other hand, according as the basic wage is taken to be the true wages of the individual, or his wages subject to maximum or minimum limits, or an assumed wage resulting from the distribution of insured persons in wage classes.

The influence of the time factor, that is to say, the duration of the contribution period, varies according as the weight given to each contribution paid is constant and independent of the date of payment, or, on the contrary, decreases in proportion to the proximity of the date of payment to the date when the event insured against happens.

The factors which may influence the rate of pension may be

combined in a variety of ways. The principal combinations, as found in national legislation, may here be very briefly recalled.

- (1) The pension is fixed at a flat rate, not dependent on wages or on the contribution period.
- (2) The pension does not depend on wages but varies with the length of the contribution period.
- (3) The pension does not depend on wages but varies with the accumulated value of contributions.
- (4) The pension consists of a fixed sum and a fraction varying with the final wage.
- (5) The pension varies solely with the final wage.
- (6) The pension varies with wages and the length of the contribution period:
 - (a) the pension consists of a fixed sum and a fraction varying with the amount of contributions paid;
 - (b) the pension consists of a fraction varying with wages, but not dependent on the contribution period, and a fraction varying with wages and the length of the contribution period;
 - (c) the pension consists of a fraction varying with wages but not dependent on the contribution period, and a fraction not dependent on wages but varying with the length of the contribution period;
 - (d) the pension varies with the final wage and the length of the contribution period;
 - (e) the pension varies with the accumulated value of contributions.

The national laws thus exhibit a great variety of method in the computation of pensions, so that it does not seem possible to lay down an international regulation concerning the components of pensions.

The variety is no less great as regards the rates of pensions resulting from the different methods of computation, and the level of the protection enjoyed by the wage earners shows in fact a wide disparity from one country to another.

Under these conditions the question arises whether a formula which would obtain international acceptance could be devised to express the minimum level of the old-age pension which must be observed by national legislation.

In theory, the pension, whatever its components, should secure to the worker who has arrived at old age the means of subsistence, and it would seem that it should not in any case be less than the minimum cost of such means. As, however, the idea of means of subsistence is a relative and somewhat elastic one, and as a great many schemes make the rate of pension depend on wages and the number and rate of contributions, it would seem preferable to endeavour to define the minimum level of the pension in terms of the wages taken as basis for the payment of contributions.

In order to take into account the different methods of computing pensions, it might perhaps be possible to decide that the minimum rate of old-age pension should be equal to the minimum cost of the means of subsistence in those schemes which grant pensions at a flat rate, and to a percentage of the wages taken as a basis for the payment of contributions in those schemes where the pension varies with wages and the number and rate of contributions.

The solution of the problem is obviously very difficult to find, but, as the fixing of a minimum level of protection is the essential object of all international regulation, it has not seemed possible to avoid raising the question. It has been considered that the Conference should be given the opportunity and the data for examining it, and that a consultation of the Governments on the formulas here suggested or any other formula would be very useful, and, even if it did not lead to a provision in a Draft Convention, would at least result in the insertion of a sufficiently elastic rule in a Recommendation.

BONUSES IN RESPECT OF FAMILY RESPONSIBILITIES

A great number of schemes increase pensions by the payment of bonuses in respect of family responsibilities. They are usually granted where the pensioner has dependent children up to an age varying between 15 and 18; a few laws provide for the increase of the pension when the pensioner's wife reaches the age of 65.

The bonus is sometimes payable at a flat rate, and sometimes represents a proportion of the pension.

The grant of bonuses of this kind bears witness to the orientation of social insurance, ever more marked, towards the protection of the family, and it would seem that the Conference ought to examine this tendency in order to take account of it in the contemplated international regulations.

§ 3. — Invalidity Pensions

RISK COVERED — DEFINITION OF INVALIDITY — CONCEPTIONS OF INVALIDITY

The risk covered by invalidity insurance schemes may be defined in terms of three conceptions: physical incapacity, occupational incapacity, general incapacity for work.

Physical incapacity is measured by the degree of bodily infirmity, without consideration of its economic or occupational consequences.

Occupational incapacity is measured by the reduction, resulting from invalidity, in earning capacity in the former occupation of the invalid.

General incapacity for work is measured with reference to the possibilities of employment and earning available to the invalid on the general labour market.

Invalidity is, as a rule, defined in terms of occupational incapacity in the special insurance schemes covering certain occupations or certain branches of economic activity (miners, salaried employees), and in terms of general incapacity for work in general insurance schemes applying to wage earners in a variety of occupations, while the conception of physical incapacity has not been adopted in any insurance scheme.

Those insurance schemes which award invalidity pensions on the basis of general incapacity for work have been largely guided by the German definition, according to which a person is deemed to be an invalid when he is no longer capable of earning in any employment suited to his strength and ability which can reasonably be assigned to him in view of his training and previous occupation a prescribed fraction of the sum usually earned by a physically and mentally sound person of the same kind with similar training in the same district.

It would seem that the international regulations would have to include a definition of invalidity. Thus the Conference might decide to consult the Governments as to the adoption of general incapacity for work as the basis in inter-occupational insurance schemes, and occupational incapacity as the basis in special insurance schemes for certain occupations or certain branches of economic activity.

DEGREE OF INVALIDITY

Whatever may be the conception in terms of which invalidity is defined—whether general incapacity for work or occupational incapacity—the grant of an invalidity pension is always subject to ascertainment that a prescribed minimum degree of incapacity is present.

In this respect the national laws are rather severe. Some of them grant invalidity pensions only in case of total incapacity; others, and they are the majority, when the incapacity implies the loss of two-thirds of normal capacity; and a few others when the degree of incapacity represents the loss of at least one-half of normal capacity.

In the international regulations it would seem proper to fix the maximum degree of incapacity which the national laws could require, and it is for consideration whether a formula would be acceptable which would give right to an invalidity pension when the incapacity represents a loss of two-thirds of the normal capacity.

QUALIFYING PERIOD

The grant of an invalidity pension is generally, like the old-age pension, subject to the completion of a qualifying period, the duration of which varies, from one scheme to another, between two and ten years, but the minimum number of contributions which the laws require to have been paid corresponds to a total period of insurance which in the majority of cases lies between three and five years.

As with old-age insurance, in calculating the qualifying period a considerable number of schemes take into account not only periods in which contributions are actually paid but also periods of sickness and involuntary unemployment in respect of which contributions are not payable.

The international regulations will obviously have to accept the principle of the qualifying period, but here even more than in connection with old-age insurance it would be necessary to lay down a maximum duration for the qualifying period which would have to be observed by the national laws. For invalidity may occur at any age, for example, within a few months of his entry, to a young insured person who was perfectly fit at the time when he entered insurance, and insurance would not be achieving its object of social protection if in such a case it refused an invalidity pension.

A fairly short qualifying period, e.g. of three years, would be quite sufficient to prevent abuses and, in particular, to keep out of insurance any persons who might be tempted to become wage earners for the sole purpose of obtaining an invalidity pension.

COMPUTATION OF INVALIDITY PENSIONS

The rate of the invalidity pension, like that of the old-age pension, is fixed in the different countries according to one or other of two essential methods: on the one hand, the pension may be fixed at a flat rate which is uniform for all insured persons, and, on the other hand, the pension may vary with wages or with the number and rate of contributions paid, or, again, both with wages and the number and rate of contributions.

As in the case of old-age insurance, the application of the second method gives rise to numerous combinations according as greater weight is attributed to the wage factor or the contribution factor.

The laws in which the invalidity pension is computed solely or mainly with reference to the duration of the contribution period are very few in number, since such a method would result in the award of ridiculously small benefits whenever invalidity occurred in youth. The majority of laws tend to correct the excessive influence of the time factor by embodying a fixed component in the pension or by guaranteeing a minimum rate of pension, irrespective of the duration of the contribution period. The principal methods of computing pensions employed in the national laws may here be summarised:

- (1) The pension is fixed at a flat rate, not dependent on wages or the contribution period.
- (2) The pension does not depend on wages but varies with the length of the contribution period.
- (3) The pension consists of a fixed sum and a fraction not dependent on wages but varying with the length of the contribution period.
- (4) The pension varies with the average wage and the age of entry into insurance.
- (5) The pension varies solely with the final wage.
- (6) The pension varies with wages and the length of the contribution period:

- (a) The pension consists of a fixed sum and a fraction varying with the final wage and the length of the contribution period;
- (b) The pension consists of a fixed sum and a fraction varying with the amount of contributions paid;
- (c) The pension consists of a fraction varying with wages but not dependent on the contribution period, and a fraction varying with wages and the length of the contribution period;
- (d) The pension consists of a fraction varying with wages but not dependent on the contribution period, and a fraction not dependent on wages but varying with the length of the contribution period;
- (e) The pension varies with the final wage and the length of the contribution period.

In the presence of such a variety of method in the provisions of the national laws it would seem impossible to lay down precisely in the international regulations what should be the components and the rate of the invalidity pension. Nevertheless, as in the case of old-age pensions, it would be highly desirable to endeavour to find a formula for the minimum level of the invalidity pension which should be observed by national laws.

Account being taken of the fact that invalidity may occur at any age, the international regulations should lay down the principle that the invalidity pension should always comprise a fixed portion or a guaranteed minimum, irrespective of the duration of the period of contribution.

Here also the question arises whether it would be possible to go further and draft an internationally acceptable formula which would define the minimum rate of the invalidity pension either in terms of the cost of living or in terms of wages. As in connection with the old-age pension, it would seem that, in spite of the difficulty of the problem, it should not, in view of its importance, be left on one side, and it is therefore considered that the Conference should invite the Governments to express their opinion upon it.

SUPPLEMENT WHERE THE INVALID NEEDS THE CONSTANT HELP OF ANOTHER PERSON

An infirmity may, apart from the incapacity for work which it entails, render the invalid dependent on the constant help of

another person. In order to meet to some extent the additional expenditure which this condition involves, some laws grant an addition to the pension where the invalid cannot move about or perform without assistance the actions essential to life. The amount of the supplement is sometimes fixed, and sometimes varies with the rate of pension or with the former wages of the invalid.

In view of the great hardships suffered by these invalids, who are fortunately very few in number, it is for consideration whether the international regulations should lay down the principle that an addition should be granted to the pension where the invalid needs the constant help of another pension. This principle has already been inserted in the Convention of 1925 concerning workmen's compensation for accidents.

CHILDREN'S BONUSES

The national laws which pay bonuses in addition to the old-age pension in respect of family responsibilities add similar bonuses to the invalidity pension.

The bonuses are granted in respect of the children of pensioners up to an age which varies from 15 to 18.

The bonus is sometimes fixed at a flat rate, and sometimes is equal to a fraction of the pension.

If the principle of bonuses in respect of family responsibilities is accepted in connection with the old-age pension, it should *a fortiori* be accepted in connection with the invalidity pension, since the existence of family responsibilities is much more common among invalids than among the aged.

§ 4. — Pensions for Widows, Orphans and Other Survivors

Compulsory insurance covers the risk of death by granting to the survivors benefits which take the form either of lump sums or of pensions.

The purpose of the lump sum differs from one scheme to another: it may be intended either to meet the cost of burial or to provide the dependants with a small capital which will enable them to adapt themselves in the course of a few weeks or months to the altered economic situation resulting from the loss of their breadwinner.

The purpose of pensions is to offer a partial substitute for the deceased in the family budget.

The object of social insurance is only fully attained by the benefits granted in case of death if they are in the form of pensions, and it is certain that, if international regulations are to be adopted, the principle of the grant of pensions to survivors must be embodied in them.

QUALIFYING PERIOD

The survivors will not, as a rule, be entitled to pensions unless the insured person has completed a prescribed qualifying period. The provisions relating to the qualifying period are similar to those which have been described in connection with invalidity pensions, and the international regulations must therefore deal with the principle of the qualifying period itself, its maximum duration and the inclusion of periods of sickness and involuntary unemployment for the purpose of reckoning the qualifying period.

CATEGORIES OF SURVIVORS ENTITLED TO PENSIONS

The conditions for the award of pensions which relate to the survivors personally are intended to limit the right to pension to persons who were actually dependent on the deceased and who are unable to provide for themselves.

The situation of economic dependence upon the deceased which conditions the right to pension is automatically presumed to exist only in the case of the widow, and even there only by occupational insurance schemes and by two inter-occupational schemes.

The majority of inter-occupational schemes and a few occupational schemes grant pensions to widows, subject to certain conditions relating to age, incapacity for work or family responsibilities from which it may be concluded that the widow was actually dependent on the deceased and that she cannot provide for herself. Moreover, besides requiring that the widow should be in a situation of economic dependence, certain laws provide that no pension shall be granted unless the marriage has lasted a certain time and took place before the husband himself became pensionable.

A widower is never granted a pension unless he proves that he is actually incapable of work and was for that reason maintained by his insured wife.

Bereaved children are only entitled to a pension for themselves or entail the grant of a children's bonus if, by reason of their continuing their education, they are unable to provide for them-

selves, or again, if they suffer from infirmities which render them incapable of work.

Parents and grandparents must always, in order to obtain a pension, prove that they were actually dependent on the deceased and that they are indigent.

Lastly, the brothers and sisters of the insured person must, in those rare schemes in which they are numbered in the categories of survivors entitled to pensions, prove not only that they fulfil the conditions prescribed in relation to orphans, but also that they were dependent on the deceased. Moreover, as a rule they can only be granted pensions in the absence of a widow and children.

From a survey of the present state of national legislation, it would seem possible to agree upon international regulations which would provide for a right to a pension in the case of the widow and children of the insured person and also for the widower subject to certain conditions which differ for the several categories of survivors.

The Conference will no doubt wish to consult the Governments as to the conditions for the grant of widows' pensions (date and duration of marriage, invalidity, age, dependent children), widowers, pensions (invalidity) and orphans' pensions (maximum age with exception for invalid children). It would seem difficult, on the contrary, to arrive at an international agreement as to the grant of pensions to parents and grandparents and brothers and sisters.

COMPUTATION OF SURVIVORS' PENSIONS

The methods of computing and the rate of survivors' pensions exhibit the same variety as is met with in the case of invalidity pensions: flat-rate pension, and pension varying with wages and with the number and rate of contributions paid in respect of the insured person, these components being capable of combination in various ways according to the respective weights assigned to them.

The Conference will therefore have to examine problems which are analogous to those arising in connection with invalidity pensions, and to decide whether it is expedient to consult the Governments as to the guarantee of a minimum rate of pension for survivors.

The utility of adopting international regulations which would provide for a minimum rate of pensions for survivors, irrespective of the number and rate of contributions paid is evident, since the deceased may be a young insured person with few contributions

to his credit and who leaves dependants for whose subsistence the insurance scheme should provide. But the difficulties which have been indicated in connection with old-age and invalidity pensions are here even greater, by reason of the complexity of the provisions of national laws relating to the rate of pensions for the various categories of survivors; for some schemes fix an inclusive pension for the whole group of survivors, irrespective of the number of individuals, and lay down rules for the distribution of the pension among them, while the other schemes, forming the majority, specify what fraction of the invalidity or old-age pension is to be granted to each survivor of the same category. Under these latter schemes, the total of the pensions which can be granted to all the survivors is generally subject to a limit expressed in terms of the deceased's wages or the invalidity pension which he was receiving or which he would have received if he had become an invalid at the date of his death.

If the Conference decides to take up the question of fixing a minimum rate of pensions for survivors, it should invite the opinion of the Governments as to the method of fixing this minimum: minimum for each category of survivors, or inclusive minimum for the survivors as a group.

§ 5. — Benefits in Kind

ACTION OF INVALIDITY, OLD-AGE AND WIDOWS' AND ORPHANS' INSURANCE ON BEHALF OF THE HEALTH OF INSURED PERSONS

In numerous countries ever-growing importance is attached by schemes of invalidity, old-age and widows' and orphans' insurance to the prevention and cure of ill health. Benefits in kind are granted as well as pensions and temporary allowances. This branch of social insurance thus participates in the general effort to maintain the health of the working classes and to prevent the diminution of their productive power. The majority of insurance laws of recent origin authorise or even oblige their institutions to contribute to the improvement of the health of the insured population.

The Conference will no doubt wish to avail itself of this welcome development in national legislation, and to confirm the principle of the action of invalidity, old-age, and widows' and orphans' insurance on behalf of the health of insured persons.

The health activities of insurance schemes may be grouped under two main heads: direct action and indirect action.

DIRECT ACTION

Curative Benefits

The direct action comprises the provision of medical treatment and drugs for insured persons (even when they have exhausted their right to the benefits of sickness insurance), the treatment of invalids and, in certain countries, the medical treatment of the members of the family of the insured person and pensioned survivors. The facilities organised by the insurance institutions vary from country to country: they may enable beneficiaries to avail themselves of the services of general practitioners or specialists, to be admitted to hospitals and other curative establishments or to convalescent homes, and to obtain artificial limbs and surgical appliances; these different facilities are granted mainly with the object of diminishing or postponing premature invalidity.

Preventive Benefits

Preventive action is intended to protect those individuals whose health appears to be threatened. Persons who show symptoms of debility must be prevented from becoming invalids by granting them every form of treatment which their state of health requires. The idea of prevention has found its expression in almost all legislation adopted in the course of recent years.

INDIRECT ACTION

Participation in the Campaign against Social Diseases

Every country has succeeded in organising campaigns against the social diseases: tuberculosis, venereal diseases, rheumatism, cancer, alcoholism and nervous diseases. In the majority of countries the schemes of invalidity, old-age and widows' and orphans' insurance take an active part in this campaign, whether their participation is obligatory under the law or merely permissive.

Development of Medical Equipment

In some countries, insurance institutions are making a very large contribution to the development of the general health organisation. The funds which insurance institutions working on the accumulative system have available in excess of their current requirements are invested with the object of promoting and facilitating the

building of healthy dwellings. Moreover, in order to relieve the pressure upon the hospitals and also to diminish the cost of the institutional treatment for which they are responsible, insurance institutions in many countries provide their own curative establishments for the treatment of tuberculosis. The medical equipment of the country is thereby enriched.

It is considered that the Conference would be rendering a great service to the cause of the health of the working class if, after giving its approval to the curative and preventive action of invalidity, old-age and widows' and orphans' insurance, it laid down some general principles by which the States Members could be guided in organising the health policy of social insurance institutions.

§ 6. — Forfeiture, Suspension and Lapse of Pensions Rights

Social insurance legislation always provides for the forfeiture, suspension and lapse of rights to benefit in certain cases. These cases may be classified in four groups according to the motives which underly these measures.

- (1) The intervention of the will of the insured person concerned in bringing about the event insured against or fraud at the expense of the insurance institution, of which self-mutilation is a typical example, for that matter extremely rare. The motive for the restriction is analogous where the event insured against happens in the course of the commission of a crime or wilful misconduct by the insured.
- (2) The receipt of benefits under a scheme of workmen's compensation or in respect of a risk already covered by another branch of social insurance. The simultaneous receipt of several insurance benefits is either forbidden or is subject to limitation either because the benefits arise from the same cause and have the same object (e.g. invalidity), or because, if they were both paid in full, the benefit would exceed the loss which it is the function of social insurance schemes to repair.
- (3) The maintenance of the beneficiary at public expense. During free institutional treatment, the maintenance of the insured person is provided for, and the payment of cash benefit is suspended, though part continues to be paid to persons who were actually dependent on him.

- (4) The disappearance of the condition in respect of which the pension was awarded: recovery from invalidity or remarriage of a widow.

The international regulations must certainly enable national laws to provide for the forfeiture, suspension and lapse of pensions rights in certain cases, and it would doubtless be advisable to consult the Governments as to the circumstances in which it would be justifiable to withhold wholly or partially the benefits guaranteed by insurance.

§ 7. — Financial Resources

SOURCES OF FUNDS

The parties which may be called upon to provide the financial resources of invalidity, old-age and widows' and orphans' insurance are the insured persons, the employers and the community.

A contribution from the insured person is provided for in almost every scheme.

A contribution from the employer is required under every scheme except the Swedish national pensions scheme, the scope of which is not confined to the wage-earning classes.

A subsidy from the public authorities is laid down by all general schemes of insurance for wage earners and by all those applying to manual workers; nevertheless in several special occupational schemes, especially those covering salaried employees who are in receipt of fairly high remuneration, the financial resources are supplied exclusively by the insured and the employers without assistance from the community.

The Conference will no doubt consider it necessary to consult the Governments as to the principle of a contribution from the insured person, the principle of a contribution from the employer and the principle of a subsidy from the public authorities.

ASSESSMENT OF CONTRIBUTIONS OF INSURED PERSONS AND EMPLOYERS

In some schemes the contributions of insured persons and their employers are fixed at a flat rate and do not depend upon the economic situation of the insured person, while in others the rate of the contribution is proportional to the wages or income of the insured person.

Flat-rate contributions may, however, vary according to age and sex.

Contributions which are graded in accordance with the economic situation of the insured person may be proportional to the wages or income of the individual or be determined by a scale which corresponds to a system of wage or income classes.

The rate of the contribution, whether expressed as a sum of money or as a percentage of the basic wage, varies widely from one country and from one scheme to another.

The problem of the method of calculating and the rate of contributions is a very important one for the International Labour Organisation, which must endeavour to achieve progressively the equalisation of social charges, and it is therefore proper to enquire whether an international regulation of this subject is possible. The Office, however, sees little possibility of such a regulation, for the difficulties appear to be both numerous and weighty.

Those countries which have adopted the flat-rate contribution will doubtless tend to retain their system, which they have chosen on account of its administrative simplicity and of its suitability to the peculiarities of their insurance institutions.

An examination of national legislation and of the documents which dealt with the calculation of contributions shows that the provisions relating to the financial resources of insurance schemes in each country are the result of a compromise between the level of the benefits which it was desired to grant to the insured and the level of the charges which it was desired should not be exceeded. In the provisions adopted the main preoccupation has sometimes been to secure that the risk was adequately covered and sometimes to limit the charges imposed on productive industry. The provisions thus depend in each country on a diversity of considerations and forces operative in the national life: the situation of industry, the respective strength of employers' and workers' organisations, the attitude of the Parliamentary majority, etc.

Moreover, it must be remembered that the severity of the risks and, in consequence, the expenditure required to cover them depend upon factors which vary widely from one country to another: for example, the invalidity rate and the death rate are functions of the climate, the standard of living of insured persons, the degree of development of public health organisation and medical institutions, the distribution of the population by occupation and age, etc.

In these circumstances the Office sees a further difficulty in the way of laying down any principle as to the method of fixing contributions and finding an internationally acceptable expression for a minimum or average rate of contribution, whether in terms of

absolute figures or percentages of wages or income. Hence it is suggested that the Conference should not consult the Governments on a matter in which no results are likely to be achieved.

Nevertheless, the idea of promoting in some sense the uniformity of charges for invalidity, old-age and widows' and orphans' insurance should not be abandoned. It seems, however, preferable to proceed by endeavouring to lay down the minimum level of protection to be offered by national legislation, by adopting international rules defining the risks covered and determining the conditions of award and the amount of pensions and other benefits.

ASSESSMENT OF PUBLIC SUBSIDIES

The method by which the public authorities share in the financial resources of insurance schemes varies widely from one scheme to another: for example, the payment of a portion of the contribution, the allocation to the scheme of the proceeds of certain taxes, the payment of a subsidy of fixed amount, the payment of a percentage of the cost of all benefits or of the entire cost of certain benefits, the payment of supplements to certain benefits, the payment of the whole or part of the cost of administration, etc.

Apart from its form, the amount of the share borne by the public authorities likewise varies widely from one scheme to another, being very slight in some and very considerable in others. The method by which public authorities participate in the provision of financial resources is closely dependent upon the particular structure of the contributions and benefits in each scheme, and the magnitude of their share depends upon a complex of national influences which have been enumerated above in connection with the contributions of insured persons and employers, but especially upon the national budget situation.

As with the method of calculating and the rate of contributions, so here it would seem extremely difficult to devise international regulations, and therefore it is not suggested to the Conference that it should consult the Governments on the method of calculating and the amount of the share of the financial resources to be borne by the public authorities.

DISTRIBUTION OF THE CHARGE

It has just been shown that it would be very difficult to reach international agreement as to the method of calculating and the amount of the financial resources to be provided by insured persons,

employers and the public authorities: it would be therefore more difficult still to formulate a rule which would receive international acceptance concerning the distribution of the charge among the three groups. Indeed, even if a precise formula could be found, one might well ask whether it would have much practical value. The distribution of the charge as laid down by the legal provisions of the different schemes may be completely altered by the working of the economic law of incidence, so that it is very difficult to say what charge is ultimately transferred to the insured, to employers and to the community respectively.

An examination of national legislation does, however, show that in general the insured person's contribution is equal to the employer's and that it is very rare for the former to be greater than the latter. The Conference will perhaps decide to consult the Governments as to the possibility of adopting an international rule specifying that the contribution of the insured person shall not be greater than the contribution of the employer.

§ 8. — Financial Organisation

The purpose of the financial organisation of an insurance scheme is to secure the maintenance of an equilibrium between its assets and its liabilities. Connected with financial organisation is a group of very complicated technical problems involving numerous demographic and financial factors: statistics of insured persons; functions of population estimates which determine the movement of the insured population and of the number of beneficiaries; the legal provisions fixing the contributions and the benefits; actuarial functions determining the movement of the contribution income and of the expenditure for benefits; the rate of interest; the provisions concerning financial management, financial supervision, actuarial valuation, etc.

These diverse elements of financial organisation hardly seem capable of international regulation. The choice of the demographic and financial bases and of the functions derived from them depends upon the nature of the statistical information available in each country, the nature of the group to be insured, the movement of the population, and the provisions relating to contributions and benefits laid down by national legislation. The choice of the financial system to be employed is conditioned by the degree of solidarity which it is desired to establish in the time dimension between the various classes and generations of insured persons, and also by the

size and form of the financial assistance afforded by the public authorities. The rate of interest, the investment policy and the yield of capital vary in each country according to the economic and financial situation and outlook. The organisation of financial supervision and actuarial valuation is closely dependent upon the general structure of the insurance institutions and administrative machinery of the country.

Hence it would seem to be very difficult to secure the general consent of the States to international rules imposing certain demographic bases and functions, a certain technique in making financial estimates, or certain financial systems. For this reason the Office does not propose that the Conference should consult the Governments on the problems relating to financial organisation.

In this field it would seem that international collaboration should take the form of technical and scientific co-operation among social insurance actuaries. In conformity with this view the International Labour Office, when it reorganised recently its International Committee on Social Insurance, invited to join the Committee a number of social insurance actuaries in the service of the Governments or of the central institutions of social insurance. With the aid of these experts the Office will endeavour to draw up a programme of actuarial studies with a view to formulating international principles relating, in particular, to methods of drawing up statistics, calculating demographic functions, making financial estimates, etc., and, when this technical work has reached a sufficiently advanced stage, it will perhaps be possible to submit to a later session of the Conference proposals for the adoption of uniform methods.

§ 9. — Administrative Organisation

ADMINISTRATION OF COMPULSORY INSURANCE BY INSTITUTIONS NOT CARRIED ON FOR PROFIT

In order to secure the effective application of compulsory insurance, the law must provide for the foundation of insurance institutions which are capable of achieving this purpose. The application of social insurance is a matter in which the public interest is concerned, and in which the responsibility of the State is always involved. Nevertheless, the State, while reserving to itself some part in the direct administration of insurance, entrusts this function in the first instance to institutions founded expressly for the purpose of undertaking tasks of a social character.

These institutions carry out the insurance legislation. They must perform all the duties which the law imposes on them. Defined as it is by the law, their function is precise. These institutions are administered in the exclusive interest of their beneficiaries. All national legislation is in harmony on this point.

With a view to the consultation of the Governments, the Conference may therefore accept the principle of the administration of insurance by institutions which are not carried on with a view of profit.

The State may reserve to itself the sole right of founding insurance institutions, and not allow the foundation of others in addition to those established in virtue of the law; or it may authorise the foundation of institutions on the initiative of the parties concerned or their organisations.

Institutions Founded by the Public Authorities

Numerous insurance schemes are administered solely by institutions founded by the public authorities. Such institutions have a rigid basis, and their existence is, by hypothesis, eternal, like that of the State itself.

In other schemes institutions created by the public authorities may co-exist with those established on the initiative of private persons. In this case the question which of the two types is to predominate becomes a question of fact. Nevertheless, from no scheme of compulsory insurance can institutions founded by the public authorities be altogether absent. For, since the application of the compulsory principle has to be guaranteed, insured persons who have not joined or have not secured admission to any institution founded by private initiative must necessarily be enrolled by an institution of legal origin.

Institutions Founded on the Initiative of the Parties Concerned

Institutions founded by private initiative must, in order to be able to administer long-term insurance, offer guarantees of stability and permanence, and, for this purpose, to fulfil certain conditions of approval: not to be carried on with a view of profit, to possess a minimum number of compulsorily insured members, to accumulate contribution and contingency reserves, and to be affiliated to a reinsurance institution. These conditions differ in detail from one scheme to another, and vary in the strictness with which they are applied. What is essential, however, is that the State, by reason

of the fact that one or other of these institutions may cease to exist, must nevertheless establish a minimum level of conditions which must be satisfied by all institutions founded on the initiative of the parties concerned.

The Conference will probably wish to consider the desirability of requiring national legislation to specify the conditions of financial security and stability which must be fulfilled by every insurance institution established by private persons. If so, the Governments might be asked to indicate what conditions of approval should be considered as being at once necessary and sufficient.

PRINCIPLE OF SELF-GOVERNMENT OF INSURANCE INSTITUTIONS

The institutions of invalidity, old-age and widows' and orphans' insurance, whatever their nature—whether created by the law or by private initiative, inter-occupational or occupational, centralised or decentralised—enjoy some degree of independence as regards the State and its system of administration.

Self-Government in Financial Matters

The budgets of insurance institutions are distinct from the budgets of public authorities. An insurance scheme is financially independent, and forms a unit for accounting purposes. The fact that the State takes part in the provision of the financial resources of the scheme does not affect the financial autonomy of the latter, since the State's share, where the scheme is one of genuine insurance, is strictly limited, and appears on the one hand on the expenditure side of the State budget and on the other hand on the income side of the insurance budget. The other receipts of the insurance scheme are levied upon the product of labour by way of deduction from, or addition to, the wages of insured persons. The accumulated funds of insurance institutions, built up mainly by the contributions of the parties concerned, belong to the present and future recipients of insurance benefits. These funds must be kept distinct from the funds of the State or of other public corporations, since they have been set aside once and for all for a special purpose in the exclusive interest of the insured group.

Self-Government in Administrative Matters

In the great majority of countries, social insurance institutions also possess a certain degree of administrative independence. They manage their own affairs. All those questions which the law does

not itself settle or reserve for settlement by Departments of State are decided on their own account by the insurance institutions.

The parties concerned, through the representatives whom they appoint, take a share, the importance of which varies from country to country, in the administration of insurance. Participation in the management stimulates the interest of insured persons and employers in the development of insurance, strengthens its popularity, and plays a part in economic and social education.

SUPERVISION BY THE PUBLIC AUTHORITIES

Compulsory insurance is a matter in which the public interest is concerned. The public authorities are responsible for seeing that it is applied thoroughly and in conformity with the law. The corollary of self-government is financial and administrative supervision by the public authorities over administration as undertaken by the representatives of the parties concerned.

The Tenth Session of the Conference, in establishing international regulations for sickness insurance, has embodied in both the Draft Conventions which it adopted on this branch of insurance the twofold principle of the administration of insurance by self-governing institutions and the administrative and financial supervision of these institutions by the public authorities. This twofold principle is equally applicable to invalidity, old-age and widows' and orphans' insurance. The present Session of the Conference will doubtless decide to consult the Governments upon it.

§ 10. — Settlement of Disputes

RIGHT OF APPEAL IN CASE OF DISPUTE CONCERNING RIGHT TO BENEFIT

In very many cases the benefits granted by invalidity, old-age and widows' and orphans' insurance represent for the insured persons or their widows and orphans their sole means of subsistence. If the insurance institution could grant or refuse benefits arbitrarily, insured persons and their survivors could not properly speaking be said to have any right to them. For this reason, in all schemes of compulsory insurance, provision is made for referring the decisions of insurance institutions in the matter of benefits, at the request of the parties concerned, to review by judicial procedure.

Thus, if the insurance institution does not deal within a reasonable

time with a claim for benefit, or if the claimant considers himself injured by its decision, he is given a right of appeal which enables him to prefer his claim before a judicial authority. In order that insured persons and their dependants may avail themselves of their right of appeal, many laws require that every decision of an insurance institution on a claim to benefit shall be null and void unless it is accompanied by directions enabling the claimant to appeal.

The Conference may, without hesitation, envisage the insertion in the international regulations of a clause guaranteeing a right of appeal to insured persons and their survivors in case of dispute concerning insurance benefits.

SPECIAL TRIBUNALS

In some countries disputes concerning the benefits of invalidity, old-age and widows' and orphans' insurance fall within the competence of the ordinary courts, and in other countries they fall within the competence of special tribunals. Legislation of recent origin has shown a marked preference for special tribunals such as boards of arbitration or insurance courts comprising, at least in the first instance, assessors selected as representing employers and insured persons.

By reason of their specialisation, arbitration authorities such as insurance courts offer both to insured persons and to institutions the advantage of a procedure which, while scrupulously conforming to the legal provisions, is able to take account of the mode of life of the claimants and of the purposes of insurance. In the various insurance schemes special tribunals are found which fulfil more or less completely other requirements which are dictated by the common interest of claimants and insurance institutions: rapidity of procedure and constancy and unity of case law. In every country endeavour is made to render the settlement of disputes, if not gratuitous, at least very cheap for the claimant and easily available.

The Conference might instruct the Office to obtain the opinion of the Governments on the desirability of referring the settlement of disputes concerning benefits to special tribunals. Moreover, the Governments might be asked to state by what other ways the procedure might be rendered rapid and inexpensive and the case law constant and inspired by the aims which the law intended insurance to fulfil.

§ 11. — Position of Foreigners

National legislation concerning invalidity, old-age and widows' and orphans' insurance applies in principle both to national and to foreign wage earners whose place of employment is in the country where compulsory insurance is in force. Contrary to this general principle, however, several systems of legislation impose on foreigners restrictions which affect their entry into insurance, their right to benefits, and their participation in the working of administrative and judicial institutions.

Foreigners are generally admitted automatically to compulsory insurance. Nevertheless, a few laws provide for their exclusion, and according to others their entry is subject to reciprocity secured by law or treaty.

Foreign workers who have been admitted to compulsory insurance and have paid, or for whom their employers have paid, contributions are as a rule entitled to the same benefits as national workers in the same circumstances. The rule of equality of treatment, however, is subject in certain countries to modification, to the disadvantage of insured foreigners: the conditions for the award of benefits may be more severe, for example, the qualifying period may be longer, and the supplement to the pension by way of State subsidy may be denied to them.

The schemes of compulsory insurance against invalidity, old age and death are, in the majority of countries, administered by institutions in the management of which representatives of insured persons and employers participate. Similarly, disputes between insured persons and institutions are very often decided by authorities in which these same parties are represented. In these fields foreign insured persons are subjected, under many schemes, to restrictions. The effect of these restrictions, which vary from one scheme to another, may be to deprive foreign insured persons of the right to elect and be elected, or simply of the right to be elected, in connection with the choice of representatives for the administrative or judicial institutions of the insurance scheme.

The inequalities of treatment which the laws admit have been to a large extent removed or mitigated as the result of bilateral treaties which a certain number of States have entered into. Nevertheless, several restrictions subsist even for the subjects of States which have concluded such treaties, especially as regards the participation of foreign insured persons in the management of insurance institutions.

Bilateral treaties, which are not very numerous, do not seem to have yielded adequate results, so that the Conference will have to consider the possibility of introducing into the international regulations the principle of equality of treatment for national and foreign workers.

That the general acceptance of the principle of equality of treatment could be secured seems hardly doubtful, since foreign workers have need, just like national workers, of the protection of social insurance, and if they are admitted to compulsory insurance and pay contributions they should naturally be entitled to benefits.

The principle being accepted, the Governments should be consulted upon the limits within which it could be applied.

In the first place it will be necessary to decide whether the privilege of equality of treatment shall be granted automatically to all foreign workers or, on the contrary, should be reserved to the subjects of States which have ratified a general international Convention.

In the second place it will be necessary to decide whether the equality of treatment should be absolute or certain restrictions should be maintained in national legislation. The following problems should be considered: admission to compulsory insurance, provisions relating to contributions, provisions relating to benefits, participation in the management of insurance institutions.

§ 12. — Right to Pension during Residence Abroad

When a pensioner resides abroad, his right to pension is, under the legislation of many countries, subject to restrictions of varying severity, which apply either to all pensioners, whether subjects of the country which is to pay the pension or of a foreign country, or to foreign pensioners only.

The restrictive provisions vary somewhat from one scheme to another: the continuance of the pension may be conditional upon authorisation to reside abroad, or the pension may be commuted for a lump sum which is less than the capital value of the pension, or the State subsidy may be reduced or entirely withheld, or the pension may be suspended altogether. .

The reason for these restrictions is generally to be found in the practical difficulty and cost of effecting the payment abroad of small sums, in the difficulty of verifying the continuance of the

conditions in respect of which the pension is payable, and also in the influence which such payments abroad have on the trade balance of countries of immigration.

The objections do not seem altogether conclusive. At present there are no insurmountable difficulties in the way of effecting payments abroad. The supervision of pensioners as regards the continuance of the conditions in respect of which the pension was granted could be entrusted by agreement to the insurance institutions of the country of residence, which possess for their own purposes all the necessary administrative, technical and medical machinery. Finally, a possible deficit in the trade balance of countries to which there is a heavy immigration cannot serve as a justification for suspending or withholding benefits which are due as a consideration for the contributions paid in respect of insured persons while they were working in the country, and were thus promoting its economic development and prosperity. The need for a more equitable policy has been admitted by a certain number of countries, which have entered into bilateral treaties providing for the maintenance of pensions rights in the case of residence abroad. Even so, however, these treaties are not very numerous, and in practice a large number of insured persons find their rights considerably reduced in case of residence abroad.

It would seem that the problem should not be treated solely from the standpoint of equality between national and foreign workers, since a logical solution must take account of the differences in the actual circumstances of nationals and foreigners. The aged, the invalid, and widows and children, tend to remain in their own country, and, if they are foreigners, to return to it, since it is there that they may expect to find the support of their relatives.

Consequently it would seem necessary to accept the principle of maintenance of pensions rights, without condition of residence in the country of the insurance institution which owes the pension.

If the Conference decides to accept this principle, the Governments should be consulted on the methods and limitations of its application.

Should the principle be applied to all pensioners irrespective of nationality ?

Or should it, on the contrary, be subject to restrictions and be reserved to nationals of those States which have ratified an international Convention providing for the abolition of the condition of residence?

§ 13. — Maintenance of Pensions Rights in Course of Acquisition

The right to a pension is in most national schemes conditional on the completion of a qualifying period and on the possession of the status of insured person at the time when the event insured against happens.

If the insured person passes from one country to another before the event happens, he loses his rights in the first country, irrespective of the number and amount of the contributions which he has paid.

If he becomes liable to insurance in the second country, he will have to comply with the conditions relating to qualifying period and retention of insurance status as laid down by the legislation of this second country. Thus, a worker who has been compulsorily insured and has paid contributions in two or three countries for a long period of years may, particularly in case of invalidity or premature death, find himself not entitled to an invalidity pension, or leave his wife and children without right to survivors' pensions. Such situations occur very frequently by reason of the large scale upon which migration has taken place during the last fifty years, with the result that a large number of workers suffer an obvious injustice and unmerited privation.

National legislation has endeavoured to find a remedy for this situation by enabling the insured person to maintain his rights in the first country either by voluntarily continuing his insurance or by paying to the insurance institution in the country which he has left a small continuation fee. In practice these remedies have shown themselves to be inadequate, because, save in exceptional cases, insured persons cannot afford to pay contributions in two countries, or because they do not keep up the payment of the continuation fee in the first country.

The solutions provided by national legislation being thus unsatisfactory, a certain number of States have concluded bilateral treaties for the purpose of maintaining pensions rights in a more effective manner. The majority of bilateral treaties are based on the principle of the maintenance of rights in each country and of the sharing of liabilities between the insurance institutions of the respective countries; one treaty may provide for the transfer of contributions to the insurance institution of the country of origin, while another may employ the system of the transfer of the capital representing rights already acquired.

The conclusion of bilateral treaties has constituted an important progress, but they are still too few, and the provisions which they contain are open to objections which arise largely from the diversity of national legislation, especially in the matter of the definition of the risks covered, the conditions of award, and the components and rate of pensions. Hence international regulations which would enable an approach to uniformity in the essential provisions of national legislation to be effected, might greatly assist the adoption of general measures for the maintenance of pensions rights.

The attention of the International Labour Office has on several occasions been drawn to the importance and urgency of the problem of the maintenance of pensions rights by workers' organisations and Governments, and it seems both desirable and possible to embody in the international regulations the principle of the maintenance of migrants' pensions rights in course of acquisition.

If the principle of the maintenance of pensions rights is accepted, it would then be necessary to determine the limits within which it could be applied.

Pensions rights in course of acquisition can be maintained either in a general and absolute manner on behalf of every insured person, irrespective of nationality, or on behalf of those insured persons only who are nationals of States which have ratified an international Convention embodying the principle of the maintenance of pensions rights in course of acquisition.

The principle having been laid down, and the scope of its application having been defined, an examination would have to be made of the various methods by which the maintenance of pensions rights could be organised and the conditions which such methods would have to fulfil.

The system of transfer of contributions involves the indication of the institution to which the contributions are to be transferred, the intervals or the date at which the transfer is to take place, and the method of calculating pensions.

The system of the maintenance of rights in each country involves the solution of the following essential problems:

- (a) Qualifying period and maintenance of continuity of insurance:
Addition of periods of insurance completed in the several countries for the purpose of calculating the qualifying period and maintaining continuity of insurance;
- (b) Calculation of pensions liability of respective insurance institutions:

The calculation and sharing of the pensions may be effected according to the two following principles:

The fixed components of the pensions under each legislation are reduced *pro rata temporis*;

The components of pensions which vary with the number and rate of contributions are paid by the insurance institution of each country in accordance with national legislation.

- (c) Protective clause: The insured person should obtain a total pension at least equal to that which he would obtain under the legislation of a single country on the ground only of the period of insurance completed in that country.

The system of transfer of the capital representing acquired rights necessitates the solution of the following problems: method of calculating the capital representing the rights of the insured person at the time when he leaves an institution; date of the transfer of the capital; calculation of the pension payable by the last insurance institution.

* * *

The questions involved in the drafting of international regulations concerning the maintenance of pensions rights in course of acquisition are numerous, complicated and technical; it will therefore doubtless be necessary to draw up a special international Convention and a Recommendation for this problem.

For that matter, the general international regulations on invalidity, old-age and widows' and orphans' insurance will likewise have to deal with numerous and complicated questions, and will probably result in the adoption of one, or possibly several, Conventions and one or more Recommendations.

The Conference will thus find itself faced with a very heavy agenda, and, after a preliminary examination of the question of the maintenance of pensions rights, it will have to decide whether it would not be preferable to envisage the adjournment of this question to a later Session of the Conference.

CONSULTATION OF THE GOVERNMENTS

The foregoing analysis of the problems which might be dealt with by international regulation makes it possible to fix as completely as possible the points on which the Governments should be consulted in conformity with the provisions of Article 6 of the Standing Orders of the Conference.

From this analysis and from the conclusions to which it leads as to the lines on which international agreement seems possible, a list has been drawn up of the points on which it is considered that the Conference should request the Office to consult the Governments.

I. — SCOPE

1. Principle of compulsory insurance for every person whose normal occupation is employment.

Application of the principle in particular to: manual and non-manual workers, including apprentices, employed by industrial, commercial, transport, mining, agricultural, and forestry undertakings, and in the liberal professions, as well as outworkers and domestic servants.

2. Possible exceptions, in particular in the case of:

- (a) employed persons whose remuneration exceeds a prescribed limit;
- (b) seasonal and other temporary workers whose employment is by its nature of short duration;
- (c) young workers under a prescribed age;
- (d) workers too old to enter insurance when they become employed persons;
- (e) members of the employer's family.

3. Extension of compulsory insurance to persons working on their own account.

4. Situation of persons formerly compulsorily insured.

II. — OLD-AGE PENSIONS

PENSIONABLE AGE

1. Either uniform age for all insured persons, or age varying with sex or occupation.

QUALIFYING PERIOD

2. Principle of the qualifying period.
3. Maximum length of the qualifying period.
4. Relation between the qualifying period and periods of sickness and involuntary unemployment.

COMPUTATION OF OLD-AGE PENSIONS

5. Pension fixed at a flat rate for all insured persons, or pension varying with wages and the number and rate of contributions.
6. Guarantee of a minimum rate of old-age pension.
7. Bonuses in respect of family responsibilities:
 - (a) Principle of bonuses in respect of family responsibilities.
 - (b) Categories of dependants: children of pensioner up to a prescribed age; wife of pensioner as from a prescribed age.
 - (c) Computation of bonuses: flat-rate bonuses, or bonuses varying with the rate of pension.

III. — INVALIDITY PENSIONS

DEFINITION OF INVALIDITY

1. Conceptions of invalidity: general incapacity for work, or occupational incapacity.
2. Degree of invalidity entitling to pension:
 - (a) total incapacity, or partial incapacity;
 - (b) determination of the degree of incapacity entitling to pension.

QUALIFYING PERIOD

3. Principle of the qualifying period.
4. Maximum length of the qualifying period.
5. Relation between the qualifying period and periods of sickness and involuntary unemployment.

COMPUTATION OF INVALIDITY PENSIONS

6. Pension fixed at a flat rate for all insured persons, or pension varying with wages and the number and rate of contributions.
7. Guarantee of a minimum rate of invalidity pension.
8. Supplement where the invalid needs the constant help of another person.
9. Bonuses in respect of family responsibilities.

IV. — PENSIONS FOR WIDOWS, ORPHANS AND
OTHER SURVIVORSCONDITIONS OF AWARD TO BE FULFILLED BY THE INSURED
(QUALIFYING PERIOD)

1. Principle of the qualifying period.
2. Maximum length of the qualifying period.
3. Relation between the qualifying period and periods of sickness and involuntary unemployment.

CATEGORIES OF SURVIVORS ENTITLED TO PENSIONS

4. Pension to widow of the insured person.
Conditions as to date and duration of marriage, invalidity, age and family responsibilities.
5. Pension to invalid widower who was maintained by his insured wife.
6. Pension to children of the insured person up to a prescribed age or, in case of invalidity, irrespective of age.

COMPUTATION OF SURVIVORS' PENSIONS

7. Pension fixed at a flat rate, or pension varying with the wages of the insured person and with the number and rate of contributions paid in respect of him.

8. Distribution among the survivors of an inclusive pension, computed without regard to the number of survivors. Award to each survivor of a pension at a rate which is uniform for all survivors belonging to the same category, subject to a legal maximum limiting the total rate of the pensions paid in respect of one insured person.

9. Guarantee of a minimum rate of survivor's pension.

V. — BENEFITS IN KIND

1. Action of invalidity, old-age and widows' and orphans' insurance on behalf of the health of insured persons.

2. Direct action :

- (a) curative benefits to diminish or postpone invalidity ;
- (b) preventive benefits in individual cases.

3. Indirect action :

- (a) participation in the campaign against social diseases ;
- (b) development of medical equipment.

VI. — FORFEITURE, SUSPENSION AND LAPSE OF PENSIONS RIGHTS

1. Fraud at the expense of the insurance institution. Commission of a crime or wilful misconduct.

2. Prohibition of coincident rights arising either on the happening of several events insured against under one scheme of social insurance, or on the happening of one event insured against under several schemes.

3. Maintenance of the beneficiary at public expense.

4. Disappearance of the condition in respect of which the pension was awarded : recovery from invalidity, or remarriage of a widow.

VII. — FINANCIAL RESOURCES

1. Principle of contributions from insured persons.
2. Principle of contributions from employers.
3. Principle of subsidies from public authorities.
4. Relation between the insured person's and the employer's contribution.

VIII. — ADMINISTRATIVE ORGANISATION

1. Administration of compulsory insurance by institutions not carried on with a view of profit:
 - (a) institutions founded by the public authorities;
 - (b) conditions of approval of institutions founded on the initiative of the parties concerned or their organisations; accumulation of contribution and contingency reserves; affiliation to a reinsurance institution.
2. Principle of self-government of insurance institutions:
 - (a) self-government in financial matters: separation of the funds of insurance institutions from public funds;
 - (b) self-government in administrative matters: participation of representatives of the parties concerned in the management of insurance institutions.
3. Financial and administrative supervision by the public authorities over management as undertaken by the representatives of the parties concerned.

IX. — SETTLEMENT OF DISPUTES

1. Right of appeal to be secured to the insured person and his survivors in case of dispute concerning their right to benefit.

2. Desirability of referring the settlement of disputes concerning right to benefit to special tribunals.

X. — POSITION OF FOREIGNERS

1. Principle of equality of treatment for national and foreign workers.
2. Extension of the principle of equality of treatment to :
 - (a) all foreigners;
 - (b) nationals of those States only which have ratified a general international Convention.
3. Application of the principle of equality of treatment to :
 - (a) admission to compulsory insurance;
 - (b) provisions relating to contributions;
 - (c) provisions relating to benefits;
 - (d) participation in the management of insurance institutions.

XI. — RIGHT TO PENSION AND RESIDENCE ABROAD

1. Principle of the retention of the right to pension without condition of residence.
2. Restriction of the application of this principle to nationals of States which have ratified an international Convention providing for the waiver of the condition of residence.

XII. — MAINTENANCE OF MIGRANTS' PENSIONS RIGHTS IN COURSE OF ACQUISITION

1. Principle of the maintenance of the pensions rights of insured persons who pass from one country to another.
2. Application of the principle of the maintenance of pensions rights to :
 - (a) all insured persons, irrespective of nationality;

- (b) insured persons who are nationals of States which have ratified an international Convention providing for the acceptance of the principle of the maintenance of pensions rights.

3. Choice of the methods of maintaining pensions rights to be recognised in the international regulations :

- (a) transfer of contributions ;
- (b) maintenance of rights in each country and distribution of the pensions liability between the respective insurance institutions ;
- (c) transfer of the capital representing acquired rights.

4. Transfer of contributions :

- (a) place of transfer : insurance institution of the country of which the insured person is a national ; insurance institution of the country where the insured person first became liable to insurance ;
- (b) intervals or date of transfer : periodical transfer (e.g. yearly) ; transfer at date when insured person leaves a country ;
- (c) method of calculating pensions rights : principles by which pensions rights are to be calculated by the insurance institution which has received the transferred contributions.

5. Maintenance of rights in each country :

- (a) qualifying period and maintenance of continuity of insurance : addition of the periods of insurance (and assimilated periods) completed in different countries to calculate qualifying period and maintain continuity of insurance ;
- (b) calculation of pensions liability of respective insurance institutions : the fixed components of the pensions under each legislation are reduced *pro rata temporis* ; the components of pensions which vary with the number and rate of contributions are paid by the insurance institution of each country in accordance with national legislation ;
- (c) protective clause : provisions guaranteeing to the insured person a total pension at least equal to that which he would obtain under the legislation of a single country on the ground only of the period of insurance completed in that country.

6. Transfer of capital representing acquired rights:

- (a) determination of the capital representing the rights acquired by the insured person when he leaves the insurance institution;
- (b) date of transfer of capital: transfer when the insured person migrates to another country; transfer when the event insured against happens;
- (c) method of calculating pension: calculation of pension payable by the insurance institution which has received the capital transferred.

